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|----------------|----------|------------|------------|-----------|--------|------|
| Algeria | 4,900 | Dr. | 15,120,000 | Norway | 7,600 | N.L. |
| Austria | 20,5 | St. L. | 1,200 | Latvia | 2,700 | R.L. |
| Bahrain | 6,620 | Dirham | 450 | Portugal | 90 | Sec. |
| Belarus | 45 | R.P. | 500 | Qatar | 4,500 | R. |
| Belgium | 45 | R.P. | 500 | Spain | 20,200 | R. |
| Canada | C\$ 1.20 | Canadian | 500 | Sri Lanka | 10,000 | R. |
| Cyprus | C\$ 0.70 | Cypriot | 10,000 | Arabia | 1,000 | R. |
| Egypt | 1,000 | Egyptian | 10,000 | Arabia | 1,000 | R. |
| Finland | 7,000 | Finn. | 10,000 | Arabia | 1,000 | R. |
| France | 4,00 | F. | 10,000 | Arabia | 1,000 | R. |
| Germany | 2,50 | D.M. | 10,000 | Arabia | 1,000 | R. |
| Iceland | 1,000 | Icelandic | 10,000 | Arabia | 1,000 | R. |
| Ireland | 1,000 | Irl. | 10,000 | Arabia | 1,000 | R. |
| Iraq | 110 | Iraqi | 10,000 | Arabia | 1,000 | R. |
| Italy | 1,200 | Ital. | 10,000 | Arabia | 1,000 | R. |
| Japan | 1,000 | Yen | 10,000 | Arabia | 1,000 | R. |
| Lebanon | 1,000 | Lebanese | 10,000 | Arabia | 1,000 | R. |
| Malta | 1,000 | Maltese | 10,000 | Arabia | 1,000 | R. |
| Morocco | 4,50 | Dirhams | 10,000 | Arabia | 1,000 | R. |
| Poland | 2,75 | Fl. | 10,000 | Arabia | 1,000 | R. |
| Portugal | 1,000 | Portuguese | 10,000 | Arabia | 1,000 | R. |
| Russia | 1,000 | R. | 10,000 | Arabia | 1,000 | R. |
| Spain | 1,000 | Spanish | 10,000 | Arabia | 1,000 | R. |
| Sweden | 1,000 | Swedish | 10,000 | Arabia | 1,000 | R. |
| United Kingdom | 1,000 | Pounds | 10,000 | Arabia | 1,000 | R. |
| U.S. | 1,000 | Dollars | 10,000 | Arabia | 1,000 | R. |
| Yugoslavia | 170 | K. | 10,000 | Arabia | 1,000 | R. |

ESTABLISHED 1887

Compromise Report Issued by Bishops, Welcomed by Pope

By Kenneth A. Briggs
New York Times Service

ROME — Roman Catholic bishops, ending deliberations at a two-week synod here, have called for measures to help remedy problems that have arisen since the Second Vatican Council.

The report, welcomed by Pope John Paul II, balances liberal and traditionalist themes that have been in contention during the synod. The outcome of the debate by the bishops to make the report public had been unclear until an announcement by the pope on Saturday that it would be published.

The report, scheduled for release Monday, was to be issued separately from a pastoral message that the pope approved on Friday.

Church officials said the decision to release the document was a victory for the bishops in their effort to express independent views. Opponents of the move said that the only function of synods was to advise the pope and that their documents should be for his eyes only.

The summary report, prepared by Cardinal Godfried Danneels of Belgium, includes a call for further study of local conferences of bishops and a new universal catechism of church doctrine and morals. It also endorses ecumenism and advocates social justice.

In the report, known as the "relatio," the bishops reviewed several concerns that have arisen in the 20 years since Vatican II overhauled major areas of belief and practice.

Among the issues raised by conservatives were the need for ending what it called abuses in liturgy and theology, infusing a greater sense of "mystery" into the church and restoring authority in the highest levels of church hierarchy, centering on the pope.

At the same time, liberals emphasized strengthening decisions-making at the local level and accepting theological diversity and openness to change in church discipline.

The pope's announcement that the document would be made public came in a speech to the synod's final session, in which he said that Roman Catholics should pursue the opening to the modern world ushered in by Vatican II. But in a carefully balanced address, the pope also urged the church "to overcome any false interpretations" of Vatican II.

Recent synods have given their conclusions to the pope for his private review. But there was strong sentiment for making the results of the session public among bishops who favor a greater voice for the synods.

By making clear their intentions, the bishops were credited with giving added credibility to the synods, which came into existence as a result of Vatican II, and enhancing the bishops' role in the exercise of church authority.

"It represents the maturing of the synod as a body which is able to arrive at a useful consensus in the bishops' agreement with one another and with the pope," said Edward Shaw of Washington, spokesman for the bishops in the United States. "And they feel perfectly comfortable in letting the world know what they think."

The report takes a careful path through issues of importance to both liberals and conservatives and sets forth suggestions that could provide both debate and an agenda for the church for years to come.

One example of compromise is an request for a new catechism of theological and moral guidelines, to be prepared by the Vatican. There has been no churchwide assembly since Vatican II and local bishops' conferences have forsworn their own.

While the report backs the basic

ecumenical concept of uniformity, it recommends such materials as a "point of reference" to be used by local bishops' conferences to write their own teaching texts.

The report says a new compendium of theological principles, based on the teachings of Vatican II, should be "biblical, liturgical, and at one and the same time a presentation of sound doctrine in a form accommodated to the contemporary life of Christians."

The section on bishops' conferences accedes to the liberal stance that such local bodies make a valuable contribution to the church. But it makes a concession to conservatives who question the legitimacy of conferences in church law and fear that, in some cases, they might encroach on the authority of the pope and the Roman Curia, the church's central administration.

Because episcopal conferences are so useful and necessary in the (Continued on Page 2, Col. 3)

U.S. Budget Bill Would Force Shift in Policy, Politics

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — A newly approved compromise to require a balanced federal budget by 1991 would radically change the policy goals and political stakes in coming budget battles between the White House and Congress, several lawmakers said.

Top negotiators in the Senate and House of Representatives reached an "agreement in principle" on the proposal on Friday after a deadlock of nearly two months. They said the full House-Senate conference committee and Congress were expected to approve the plan this week.

"We are on the threshold of a whole different approach to dealing with the budget," said Representative Leon E. Panetta, a California Democrat who participated in House-Senate negotiations on the measure.

The White House called the agreement "a positive step," but said a decision on whether



Blacks Make Show of Force at Funeral

A marcher holds aloft a wooden model of an AK-47 rifle as a symbol of warfare against the South African government as pallbearers carry the coffin of one of 11 victims of black unrest buried after a mass funeral in Queenstown in eastern Cape province. A speaker at the funeral threatened that "people's committees" were forming to attack in white areas. Page 2.

the Reagan administration would support it would depend on several undecided details.

The plan calls for steadily declining annual ceilings on deficits, with automatic spending cuts set off when the ceilings are exceeded.

The ceilings would start at \$171.9 billion in the current 1986 fiscal year, drop to \$144 billion in 1987, and decline to zero by 1991.

The 1986 deficit is forecast to be at least \$200 billion and under current policy would fall to about \$120 billion by 1990.

Supporters said they hoped that the threat of automatic cuts would prod the White House and Congress to agree to compromise their goals enough to reduce the deficit.

Some lawmakers said Saturday that the balanced-budget legislation could delay Congress' work on separate legislation to make spending cuts of about \$35.5 billion promised in its budget resolution for 1986.

Passed in August, that measure sets a deficit ceiling of \$171.9 billion for the 1986

fiscal year, which began Oct. 1. But if Congress does not act on its own to meet that ceiling, the measure limits any automatic spending cuts, due March 1, to \$11.7 billion.

Mr. Panetta said Saturday that because the House and Senate may try to finish their session next week, they might give up trying to take the \$15.5 billion in savings and simply cut the \$11.7 billion cut.

Another factor that might discourage Congress from making those cuts now is a threatened veto by President Ronald Reagan.

The House and Senate versions of the deficit-reduction bill would permanently extend the cigarette tax of 16 cents a pack, which had been scheduled to revert to 8 cents. Mr. Reagan's advisers are said to view this as a form of tax increase.

"I think it's a real problem," Mr. Panetta said. "If a deficit-reduction package is not approved by year's end, he said, cuts needed to reach the \$144-billion ceiling set by the

(Continued on Page 3, Col. 1)

balanced-budget bill for fiscal 1987 would be that much larger.

Some important details of the balanced-budget legislation remain to be resolved Monday, when the full House-Senate conference

One issue is how much discretion to give the president in deciding what military programs to cut if automatic cuts are needed.

Another is whether programs that Congress had already moved to trim should be subject to automatic cuts.

The constitutionality of the measure can

not be resolved until after it is signed. Most of the negotiations agree that this is an open question.

One key concern is the legality of using the Congressional Budget Office, the White House's Office of Management and Budget and Congress' General Accounting Office to determine whether the deficit ceiling has

(Continued on Page 3, Col. 1)

2 Explosions Injure 39 in Paris Stores

By Judith Miller
New York Times Service

PARIS — Bomb explosions in two department stores injured 39 persons, 14 of them seriously, officials said Sunday.

The explosions occurred within minutes of each other Saturday at the Galeries Lafayette and Printemps department stores. The stores are almost adjacent to each other on Boulevard Haussmann in the ninth district of Paris, one of the busiest commercial sections.

Three groups claimed responsibility for the explosions but police treated the claims with skepticism.

The explosive devices used led police to speculate that the blasts were the work of a disgruntled or unstable individual rather than of an extremist political group.

The first claim of responsibility was by an anonymous caller to a French news agency who said that the explosions had been set by the Palestine Liberation Front, a breakaway faction of the Palestine Liberation Organization.

Responsibility for the explosions was also claimed by the Islamic Jihad and a third caller who claimed to be speaking on behalf of the Armenian Secret Army for the Liberation of Armenia.

An Interior Ministry spokesman said that crude home-made incen-

timists had been uncovered of the bombs normally used by terrorist groups. He said that those used Saturday consisted of incendiaries with a timing system linked to a small explosive, perhaps a firecracker, connected to a drum of an inflammable substance.

Fourteen people remained hospitalized Sunday, 12 of them with serious burns.

The bombings were the latest in a series of explosions in Belgium and France. The extreme leftist group known as the Fighting Com-

unist Cells claimed responsibility on Saturday for bombings Friday at installations of the North Atlantic Treaty Organization in Belgium and France.

A 23-year-old law student was killed Friday when a bomb went off at the courthouse in Liege, Belgium. No one has claimed responsibility for that attack.

And the details about the plan have turned out to be a lot less solid than the commercial banks expected.

The \$20 billion is only an approximate figure, not the absolute ceiling that many banks thought they had heard; the three-year period is not the end of the tunnel, which more likely will take another decade to reach.

And the 15 countries are really not 15, but as many of the debtor states are willing to adopt domestic adjustment programs that the World Bank and International Monetary Fund endorse as setting the framework for a long-term so-

lution.

Accorded for its political commitment to sponsoring a policy of adjustment through growth, the plan is meant to result in financial rehabilitation. What it takes to put the strategy into action has yet to be defined.

Within this long-term strategy, the \$20 billion over three years sought from commercial banks is really just a first step. Most likely it is a prelude needed to persuade reluctant legislative bodies, particularly the U.S. Congress, that the banks are not being bailed out of their troubles.

Such a realization would pave

the way to approval for an increase in the capital of the World Bank as well as the resources of the credit agencies of the major industrialized countries.

"I have the impression that we have tried to read too much into the overture, whereas the real action only starts once the opera begins," a European banker observed.

The \$20 billion, according to experts at the World Bank and International Monetary Fund, is less

(Continued on Page 10, Col. 1)

Haziness of Detail Clouds U.S. Plan on World Debt

By Carl Gewirtz
International Herald Tribune

PARIS — The Baker plan, the U.S. initiative on the world debt crisis, has been slow to move off the drawing board.

The plan, put forward by Treasury Secretary James A. Baker 3d in early October, was presented as calling on commercial banks to lend \$20 billion over three years to the 15 most heavily indebted developing countries, and for the World Bank to lend an additional \$9 billion.

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The \$20 billion, according to experts at the World Bank and International Monetary Fund

Black Militants Make Show of Force at Tense Johannesburg Funeral

By Allister Sparks
Washington Post Service

JOHANNESBURG — Uniformed militants brandished wooden models of AK-47 rifles as black threatened at another emotionally charged funeral rally to attack white areas in South Africa.

The funeral for 11 blacks killed in a clash with police three weeks,

ago in the eastern Cape province town of Queenstown was marked Saturday by one of the most open displays of black militancy yet seen in South Africa. Flags of the underground African National Congress were displayed and songs praised its guerrilla wing.

After the funeral, black priests defused a tense confrontation between armed policemen and a crowd of about 20,000.

As the crowd moved away from the graveyard, it was confronted by policemen in three armored personnel carriers. Another bloody clash seemed imminent until 18 priests in cassocks stepped out from the crowd and walked up to the police vehicles.

After negotiations, the police agreed to allow the crowd to leave the cemetery if it dispersed peacefully.

One speaker, Stone Sizane, publicity secretary for the activist United Democratic Front, referred to the 11 dead as "mambutho," a Xhosa word that means fighters.

Accusing the government of dragging the black people, then bringing in its security forces to shoot them, Mr. Sizane said: "Enough is enough. Now is the time to hit back."

He added: "We are now forming people's committees to organize the mambutho to hit where it will be most effective, not only in the black townships."

The Nov. 17 Queenstown massacre, as speakers at the funeral called it, was the third mass killing by the police in South Africa this year: 20 blacks were shot to death in Langa township outside Uitenhage on March 22, and 13 were killed in Mamelodi township outside Pretoria on Nov. 21.

■ **Land Mine Wounds 3**

A land mine exploded Sunday outside a post office in a white industrial section of Durban, wounding eight persons, The Associated Press reported.

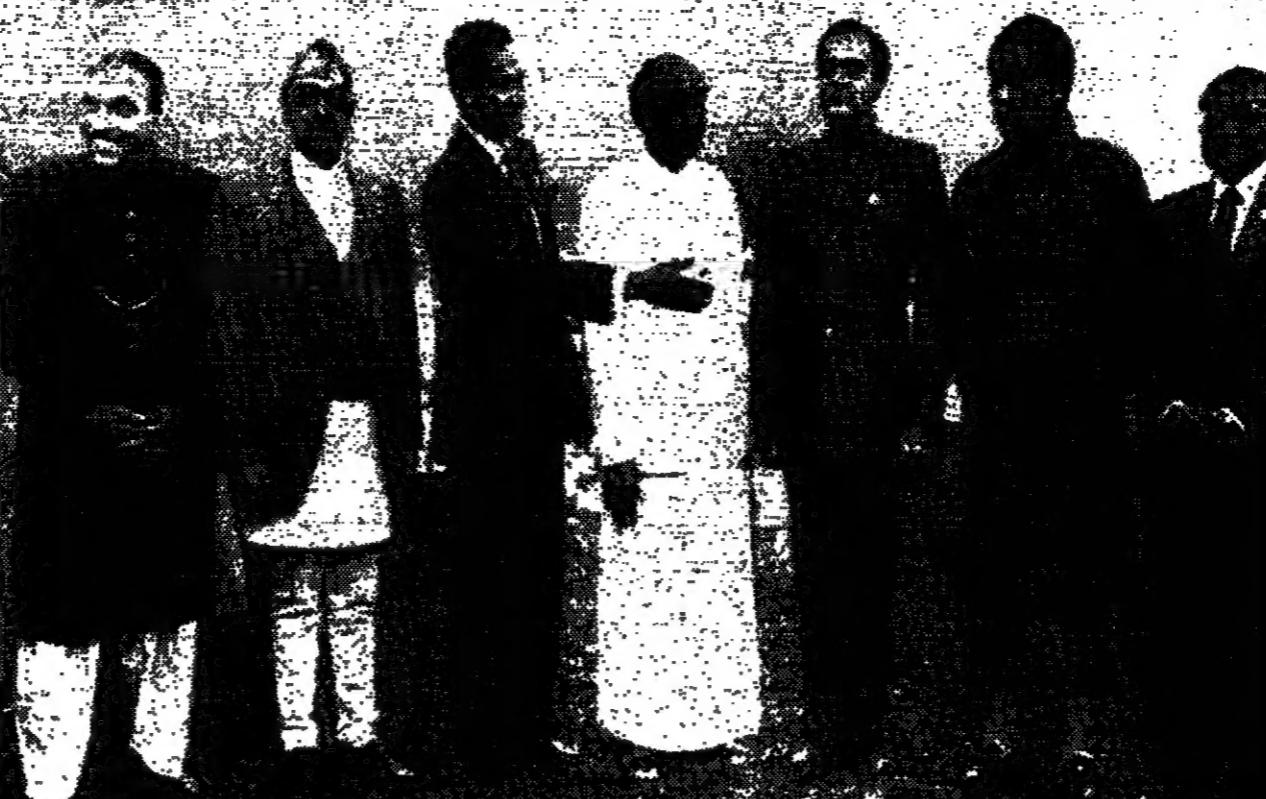
Police at headquarters in Pretoria said three Indian adults, three Indian children and two white policemen were injured slightly by flying glass.

A police spokesman in Durban said the explosion was caused by a limpet mine, which can be detonated by a timing device. There was no claim of responsibility.

In another development, Winnie Mandela, wife of the imprisoned leader of the banned African National Congress, Nelson Mandela, was released from a Johannesburg clinic after a four-day stay to recover from exhaustion and hypertension, a spokesman at the clinic said.

He said he hoped to succeed by Christmas.

Tony Abi Ghannem, an Amal militant arrested in southern Lebanon last year, was released from an Israeli prison Thursday and Mr. Berri "sincerely thanked" France for its "determining role." (UPI, AFP)



Left to right, President Mohammed Zia ul-Haq of Pakistan, King Birendra bir Bikram Shah of Nepal, President Rajiv Gandhi of India, King Jigme Singye Wangchuck of Bhutan and President Maumoon Abdul Gayoom of the Maldives.

7 South Asian Nations Form New Alliance

By Steven R. Weisman
New York Times Service

DHAKA, Bangladesh — Leaders of seven South Asian nations, meeting for the first time, established a new association for regional cooperation Sunday and pledged not to interfere in each other's internal affairs.

The South Asian Association for Regional Cooperation was founded after two days of talks among the prime minister, two kings, two elected presidents and two generals who lead countries comprising one-fifth of the world's population.

General Ershad said Sunday that the leaders had not discussed several issues that have produced animosity between some of the countries.

The group did not discuss mutual suspicions of India and Pakistan about each other's nuclear programs, he said, or Bangladesh's disputes with India over water.

It was thus unclear whether the new association would play a role in easing India's differences with Pakistan, Sri Lanka or Bangladesh.

Sri Lanka has accused India in the past of fomenting its internal civil war, although President Jayewardene has more recently praised Mr. Gandhi for his efforts to help mediate a solution.

The new association created technical committees to discuss ways to improve cooperation in establishing telephone lines, weather forecasting, health care and other areas.

Jimius R. Jayewardene of Sri Lanka, Prime Minister Rajiv Gandhi of India, King Jigme Singye Wangchuck of Bhutan and President Maumoon Abdul Gayoom of the Maldives.

The leaders also decided to explore ways in which the association could combat terrorism and drug trafficking in the region. Both issues are sensitive, for several of the countries accuse their neighbors of harboring terrorists and narcotics smugglers.

Although the nations in this part of the world share much of the same heritage, communication between them is at a low level. Most of the capitals are not linked by air connections, and telephone calls from one country to another can take days to put through.

Trade also is relatively meager, and there was no agreement over the weekend to accelerate trade talks.

The participating countries agreed to have their foreign ministers meet twice a year and to hold another summit conference in New Delhi in November 1986.

Diplomats said the seven countries would have to take many small steps in noncontroversial areas before the association could serve as an instrument to address mutual distrust.

Bishops Issue Compromise Report

(Continued from Page 1) church's pastoral work today," the report says, "their theological status and the question of their right to teach authoritatively should be more clearly explained and in greater depth. A study is urged."

Another section, which drew the most criticism in the final vote, returned to a conflict over how much power should be exercised at different levels of the church.

Referring to the principle of subsidiarity, which has been much invoked since Vatican II to encourage the solution of problems at the lowest appropriate level, the bishops asked for a review of the entire concept.

"We recommend a study to determine whether the principle of subsidiarity, which is applicable to secular society, can be applied in the church, and, if so, to what degree and in what sense," the report says.

The theme of abuses in church worship and teaching, voiced by many bishops, is found in the report as part of an appeal for a more vigorous program to explain the church's teachings.

Four areas of special attention are cited by the bishops and represent an effort to satisfy different

interests. The four are the theology of the cross and Easter mystery, with its implications for preaching and sacraments; the theology and practice of adapting church teachings to local cultures as well as dialogue with non-Christian religions and nonbelievers; the option of preferential treatment for the poor, and efforts to relate the church to changing conditions.

The enthusiasm for the cause of the poor was regarded as reflecting support for those involved in promoting social justice. They include advocates of the controversial theologies of liberation, who advocate support for the social and economic struggles of the poor.

The ecumenical movement and the rights of women, within the roles permitted by the church, are also strongly endorsed.

An overriding problem, according to the bishops, is the determination to make Vatican II's teachings better known and to try to gain greater unity in the midst of increasing diversity. They suggest the preparation of summaries and teaching devices to further that aim.

In Kampala, Signs of War Are Everywhere

(Continued from Page 1) symbol, a threat to the north. When people speak of Museveni, they mean the north."

But Apollo Lukwago, a spokesman for the government, denied that there had been a history of religious and ethnic strife in Uganda. "If there is any religious hostility, it is in Uganda," he said. "The question of tribalism comes from

the mouths of defeatists. The south has been having its share."

On July 27, a group of army officers led by Major General Tito Okello, the commander of the armed forces, overthrew Mr. Obote. Mr. Obote's government, according to Western human rights groups, slaughtered hundreds of thousands of Ugandans regarded as opponents of his rule.

Instead, Mr. Museveni continued to expand the territory under his control, inflicting several major defeats on government troops. But, even as the National Resistance Army waged its military campaigns, Mr. Museveni and the government continued to hold talks on forming a unified Ugandan government.

However, supporters convinced her that she is the only person who could provide the moral leadership needed to unify the opposition and to unite with Mr. Museveni. She accepted a draft as the presidential candidate of the Lubanga Bayan coalition last week after supporters had gathered 1.2 million signatures on a petition urging her to run.

She has acknowledged that "I don't know anything about being president" and repeatedly has expressed her reluctance to inherit the political mantle of her husband.

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WORLD BRIEFS

Guatemalans Vote in Runoff Election

GUATEMALA CITY (Reuters) — Voting took place Sunday in a runoff election for a civilian president in Guatemala after 30 years of almost unbroken military rule.

The balloting in the first runoff vote in the country's history matched Mario Vicente Cerezo of the center-left Christian Democratic Party against Jorge Carpio Nicolle of the rightist National Center Union. Mr. Cerezo won 39 percent of the vote to Mr. Nicolle's 20 percent in the first round of balloting on Nov. 3.

Halfway through the day, election officials reported that the turnout appeared to be lower than in the first voting, when about 800,000 of 2.7 million voters failed to cast ballots. Explanations for the low turnout Sunday ranged from a lack of familiarity with the runoff procedure to a shortage of transportation. The first official returns were expected by noon Monday.

Cubans Land Plane in Zaire, Are Held

KINSHASA, Zaire (Reuters) — Zaire is holding 40 Cuban soldiers whose Soviet-built plane made an emergency landing during a flight between Luena, Angola, and the small autonomous Angolan enclave of Cabinda, official sources said Sunday.

The Cubans, together with three Angolans and a Cameroonian, burned the plane and tried to hide their documents after the landing last Sunday about 186 miles (300 kilometers) southeast of Kinshasa. The sources said the troops were heavily armed.

More than 25,000 Cuban troops are in Angola to help the Marxist government fight rebels of the National Union for the Total Independence of Angola. The sources said Zaire's staunchly anti-Communist government did not want to dramatize the incident or inflame recently improved relations with Angola, its neighbor to the south.

Sudanese Court Jails Nimeiri Aide

Khartoum, Sudan (Reuters) — A Sudanese court has sentenced a top aide of former President Gaafar Nimeiri to 10 years in prison and fined him \$2 million on corruption charges.

The court said Saturday that Bahi Eddin Idris, a former presidential affairs minister, would be imprisoned for an additional 10 years if he failed to pay the fine.

Mr. Idris, 53, was found guilty of buying outdated helicopters for the army and signing contracts with a South Korean construction company without official approval. He is the first senior aide of the former president to be put on trial since Mr. Nimeiri was deposed in a military coup in April.

Cypriot Leader Sees Rise in Support

NICOSIA (Reuters) — President Spyros Kyprianou of Cyprus



Spyros Kyprianou

U.S. Extends Deadline for Bids on Jet

WASHINGTON (NYT) — The U.S. Air Force has extended the deadline for bids on a contract to develop a new fighter plane, thereby keeping open General Dynamics Corp.'s chances of competing even though it has been suspended from receiving new government contracts.

General Dynamics, one of seven competitors for the fighter plane contract and the third-largest U.S. military contractor last year, was suspended on Tuesday after the company and four former or current executives were indicted on fraud charges.

In the air-force action Friday, a spokesman said the deadline was not connected with the suspension but was needed so that certain provisions in the advanced fighter program could be cleared up for the competition. The other competitors are Boeing Co., Grumman Corp., Lockheed Corp., McDonnell Douglas Corp., Northrop Corp. and Rockwell International Corp. The advanced fighter is intended to replace the F-15, the air force's most sophisticated fighter.

Qadhafi Says U.S. Attacked Aircraft

LONDON (UPI) — Colonel Muammar Qadhafi, the Libyan leader, has asserted that U.S. fighter planes fired at a Libyan aircraft on a routine reconnaissance flight over the Mediterranean, a Ghanaian radio station said in a broadcast monitored in London.

The Accra station reported that Colonel Qadhafi said Saturday, upon arrival in Accra for a three-day visit, that the attack took place "just before his current West African tour."

In Washington, a State Department spokeswoman, Anita Stockman, said, "I'm totally unaware of such an event having taken place."

For the Record

Vogelar police arrested 50 ethnic Albanians alleged to be part of a clandestine group advocating separation and nationalism in the southern province of Kosovo, an official announcement said Saturday. (Reuters)

Spanish air traffic controllers began a three-day national strike Saturday, airline officials said. The strikers are demanding a pay increase of more than 50 percent to bring their salaries up to West European standards and a cut in working hours.

(Reuters)

DOONESBURY



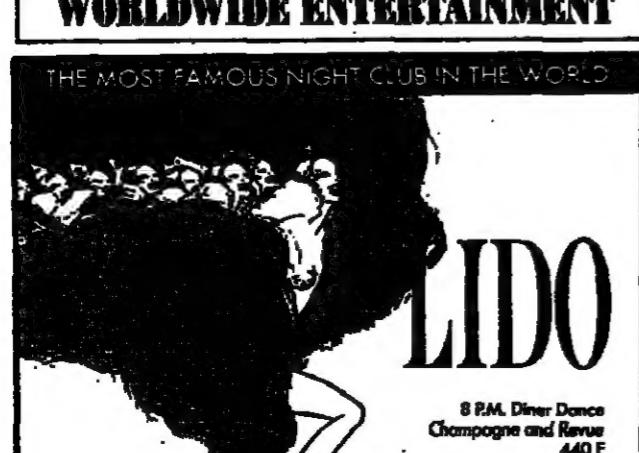
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JULY 1985

AMERICAN TOPICS

States Re-Establish

Long-Lost Wildlife

In the past 10 years 33 states have adopted programs to re-establish wildlife species in areas they were forced out of by the advance of civilization. Sometimes the states trade. Wisconsin recently exchanged river otters for Colorado pine martens.

Trumpeter swans are being re-established throughout the Midwest. Eventually they will drive out the more destructive mute swans, which are not native. Bighorn sheep are back in Oregon's mountains and beavers in Ohio's rivers.

"We're putting critters back that evolved here," says Donald J. Dick of the Kansas game department. "Critters kept the pests down and nature in balance so there is a biological reason for restoring them. But there is also an aesthetic one. Some of us think whatever evolved in a certain area should live in that area. Man has destroyed them so man should be the one to bring them back."

Short Takes

Darrel Cabeys, 20, one of four youths shot by Bernhard Hugo Goetz, the so-called "subway vigilante," last Dec. 22, has stayed in a hospital interview with the New York Daily News that his three companions planned to rob the slightly built Mr. Goetz because he "looked like easy bait." Those three have insisted they were merely asking for money to play video games. Mr. Goetz, 38, is free on \$5,000 bail awaiting trial on charges of attempted murder and possession of illegal weapons.

Bernadette Mobarak has been dismissed as a juror in a trial in Santa Barbara, California, to determine whether the R.J. Reynolds tobacco firm is liable in the death of John Galbraith, 69. He died three years ago of lung cancer and other ailments after smoking Reynolds' cigarettes for almost 50 years. Miss Mobarak, defense attorneys learned, had posted "No Smoking" signs near her desk at work, often turned a fan on in the direction of cigarette smokers and complained to neighbors about smoking in the office.

The U.S. military has been phasing out the Jeep in favor of larger vehicles for the past four years. Now American Motors is closing down production of the basic civilian model in favor of better-selling, station-wagon models. More than two million Jeeps, civilian and military, have rolled off assembly lines since 1940.

Notes About People

Anne M. Burford says in her book, "Are You Tough Enough?" that she remembers David A. Stockman, who was director of the Office of Man-

agement and Budget when she was head of the Environmental Protection Agency, as "brilliant" but "driven and calculating." She said that "he hates EPA, period." Of Rita M. LaVelle, the former agency official who served nearly six months in prison for perjury, Mrs. Burford says that, at their first meeting, "I didn't think she was as dumb as she turned out to be."

At 84, Harry Bridges is thin, bent and suffering from emphysema, but as outspoken as when he was building up the international Longshoremen's and Warehousemen's Union on the wharves of San Francisco in the 1930s. Now semi-retired in San

Francisco, he told The New York Times that today's union leaders make too much money, have too little fight and are out of touch with their workers. But he added, "I have complete faith in the labor movement."

Kathleen Kennedy Townsend is expected to join her brother Joseph P. Kennedy 2d in running for Congress next year, he from Massachusetts and she from Maryland. Mr. Kennedy, 32, announced his candidacy last week. Democratic Party sources say that Mrs. Townsend, 34, a lawyer specializing in public interest cases, plans to challenge Helen Delich Bentley, the Republican incumbent in the Second District, north of Baltimore.

George A. Keyworth 2d, who has announced he is quitting as President Ronald Reagan's science adviser to form his own industrial advisory company, gave one reason for leaving the White House was that things were at a "happy point," and "I think the president needs some fresh blood. When I walk into a room everybody knows what I'm going to say."

Seven times a bride, Elizabeth Taylor says she'll probably marry again, but is in no hurry. "I think maybe I'm finally growing up, and about time," Miss Taylor, 53, told Vanity Fair magazine. But after two broken engagements, "I'm being very cautious. I'm sure I will remarry once more, but only once more, and boy, it's going to be right. I'm taking no chances."

— Compiled by ARTHUR HIGBEE

the president submits his budget, until the start of the next fiscal year to reach agreement on how to meet the deficit ceiling. If they failed, the automatic cuts would be made Oct. 15.

"The theme in what we did was to make this thing so irrational, so ugly that it works as a club," Mr. Porett said.

Lawmakers say they hoped the measure would force the White House to agree to tax increases and lower military spending, and Congress to accept cuts in popular domestic programs from education to law enforcement.

As of now, however, the administration is sticking to its plan to propose a 1987 budget that would keep taxes steady while increasing military spending by the rate of 3 percent.

Senator Pete V. Domenici, a New Mexico Republican who is chairman of the Senate Budget Committee, indicated Friday that it would be nearly impossible politically to meet those goals and the deficit ceiling of \$144 billion.

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Ortega Says More Guerrillas May Use Anti-Aircraft Arm

By Edward Cody
Washington Post Service

MANAGUA — President Daniel Ortega Saavedra of Nicaragua has declared that "any irregular force in the area" could obtain and use anti-aircraft missiles "now that U.S.-supported guerrillas have used them to shoot down a Nicaraguan helicopter."

The warning, a clear reference to leftist guerrillas in El Salvador, appeared designed to dramatize Nicaragua's outrage at the anti-Sandinista rebels' use of such missiles last week for the first time in their four-year war to overthrow the Marxist government.

Mr. Ortega, speaking at a news conference Friday, repeated Nicaraguan assertions that the Reagan administration had directly supplied the Honduras-based Nicaraguan Democratic Force, the largest guerrilla force, with portable SA-7 ground-to-air missiles. He said this represented a "terrorist escalation" of Central American conflicts.

"Here we have the U.S. government, which calls itself a fighter against international terrorism, itself stimulating international terrorism," he said. Later, he added, "They are opening the door for any irregular force in Latin America to use this type of arm."

In Washington, Secretary of State George P. Shultz denied Fri-

day that the United States had supplied the rebels with SA-7s. But he said, "If I were them I would certainly want to" have such arms. "I say, 'Fine, I'm all for it.'"

[Adolfo Calero Portocarrero, the political chief of the Nicaraguan Democratic Force, told the Los Angeles Times on Friday that the missile used to shoot down the Nicaraguan helicopter was purchased from a Soviet-bloc country earlier this year, using funds contributed by private supporters. "It was not given to us by the United States," he said. "It wasn't even brokered by Americans."]

The Salvadoran guerrilla alliance, the Farabundo Martí National Liberation Front, has encouraged discussion for the last several years about whether its combatants could obtain anti-aircraft missiles. The Nicaraguan military has a substantial number of the Soviet-made SA-7s.

Such weapons would mark a substantial shift in the Salvadoran civil war, where the U.S.-backed government has been relying increasingly on aircraft for bombing, strafing and rocketing and for transporting troops for swift assaults. To date, the heat-seeking missiles are not known to have been supplied to the Salvadoran guerrillas.

The Nicaraguan Democratic

Force announced early this year it had acquired a number of shoulder-fired missiles and was training its men in their use. But Monday's downing of a Nicaraguan Air Force Mi-8 helicopter was the first known occasion that the guerrillas had successfully used the weapon.

Mr. Ortega refused three times Friday to say whether Cuban military advisers were killed when the aircraft went down in the central Nicaraguan mountains. The U.S. assistant secretary of state for inter-American affairs, Elliott Abrams, said in Washington on Thursday that Cubans had been killed in the crash.

■ **Contadora Process Suspended**

Foreign Minister Augusto Ramírez Ocampo of Colombia said Saturday that the Contadora Group had suspended negotiations on a peace agreement for Central America for five months at Nicaragua's request. The Associated Press reported from Cartagena, Colombia.

Nicaragua officially proposed the suspension on the ground that new governments that are to take office in Guatemala and Honduras in January and in Costa Rica in April could change policy toward the negotiations. Mr. Ramírez said.

Colombia, Mexico, Venezuela



Miguel d'Escoto Brockmann, the foreign minister of Nicaragua, attending services at a Roman Catholic church in Beijing on Sunday. Nicaragua established diplomatic relations with China on Saturday and announced it had severed relations with Taiwan on Thursday.

ment censorship against the publication of priestly homilies.

The Nicaraguan government accuses church leaders of being counter-revolutionary and has expelled 17 foreign priests in the past four years, including 10 in July.

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Two-Thirds of Toxic Waste Dumps Fail to Win U.S. Permits

By Philip Shabecoff
New York Times Service

WASHINGTON — More than two-thirds of the U.S. toxic waste dumps have failed to qualify for permanent operating permits and must now be closed, the Environmental Protection Agency has reported.

The agency said Friday that only 492 of the nearly 1,600 landfills now taking hazardous waste had certified that they meet requirements for monitoring underground water and financial responsibility under the toxic waste disposal law. Sites that did not make such a certification to the agency by Nov. 8 are required to cease operations.

The relatively small number of waste sites that could meet legal requirements under the law, which was amended last year to stiffen requirements for safe disposal of hazardous materials, surprised environmental agency officials. Just before the Nov. 8 deadline the agency estimated that 30 to 40 percent of the operating landfills would be unable to comply.

Until Nov. 8, the waste disposal sites could operate under less stringent requirements. Landfill operators that could not certify compliance with the rules were required to submit by Nov. 23 a plan for closing their sites. The agency has not yet received from state agencies information on how many operators have submitted plans for closing.

Gene A. Lucero, who is head of the agency's toxic waste enforcement program, specialized that waste dump operators looked at the new legal requirements for re-

maining open and decided it was not worth keeping their sites open. Such rules include refining landfills to make them more secure, installing new monitoring equipment and obtaining sufficient liability insurance.

He said information he had received indicated that many people who generated waste and disposed of it themselves were finding other ways to handle their wastes. He said he had heard of a number of oil refineries that were starting to recycle their wastes instead of placing them in surface impoundments. Other companies are looking for

ways to reduce the amount of wastes they produce, he said.

Mr. Lucero noted that many of last year's amendments to the waste law were aimed at just this result of compelling the adoption of alternatives to the disposal of hazardous wastes in landfills, which inevitably leak.

Officials said the compliance deadline would not immediately leave the United States short of capacity to dispose of toxic wastes.

Well over 200 million metric tons (more than 220 million tons) of toxic waste is produced each year in the United States. This does not include the waste already in abandoned disposal sites, which the law says must be cleaned up either by the waste disposer or by the government.

Many of the disposal sites that failed to certify compliance were smaller facilities, usually situated on the premises of the waste-generating company.

Most of the big commercial sites that take waste from industrial generators have certified compliance with the rules and qualify for permanent permits. The environmental agency said 50 of the 59 big

commercial sites had certified compliance.

The agency also said that 45 waste disposal facilities could not comply with the rules, even though their monitoring of underground water was satisfactory, because they were unable to obtain the necessary liability insurance.

J. Winston Porter, the environmental agency's assistant administrator for waste programs, said Congress was considering legislation to provide relief to waste disposer who have otherwise complied with the rules but had not been able to find insurance.

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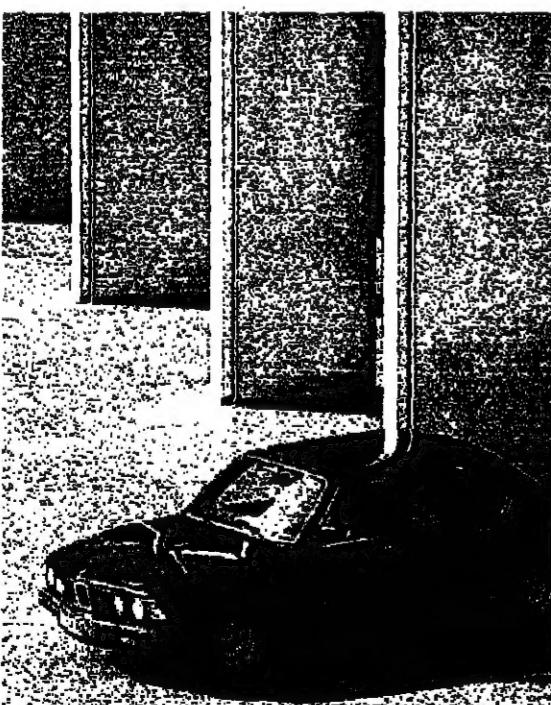
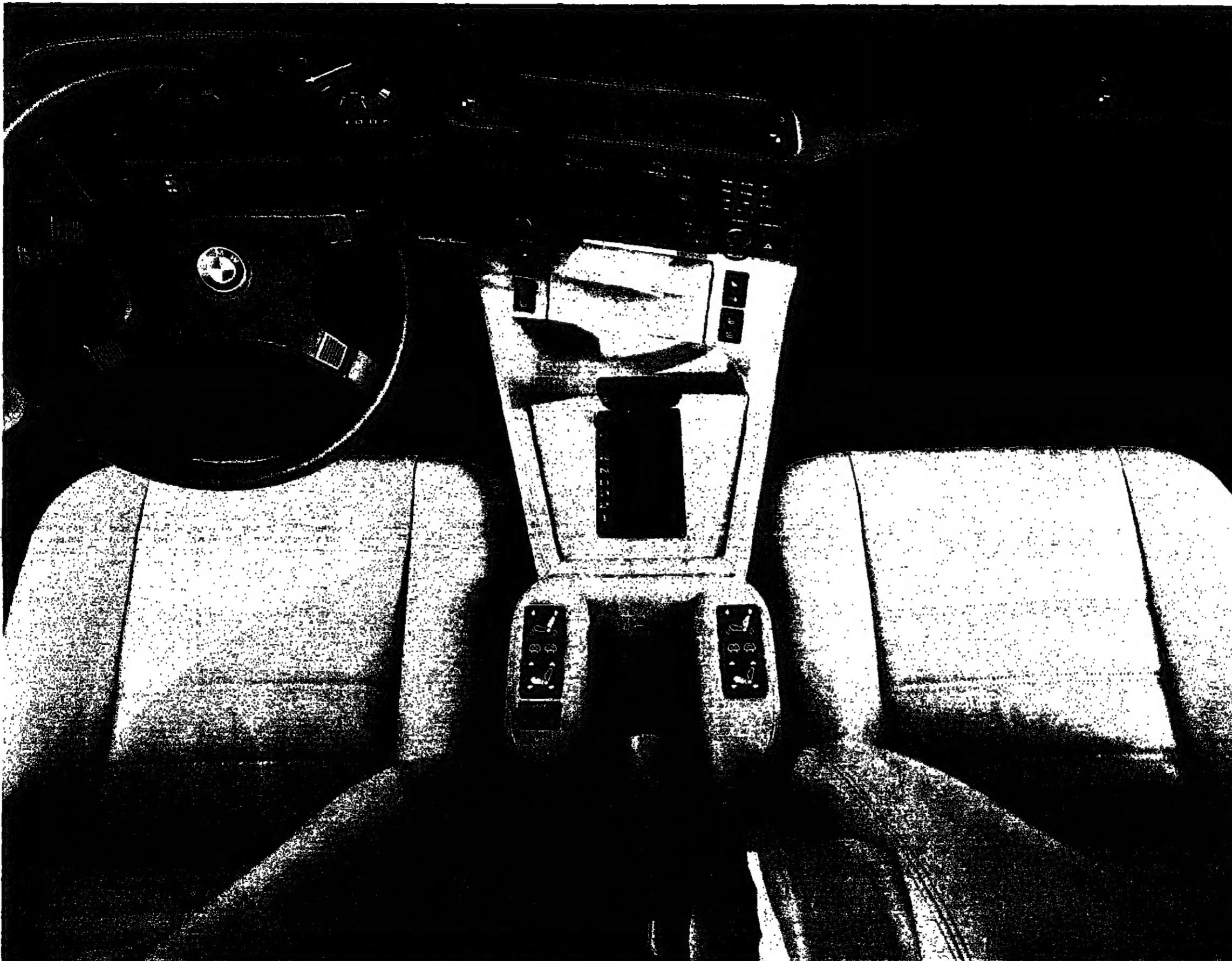
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front seats with an optional memory control of the driver's seat for 3 different driving positions, an electronic high-tech stereo radio-cassette player with remote control in the rear centre armrest, electric windows all round, metallic paintwork and low-profile performance tyres on forged light-alloy wheels.

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The 745i also features the latest BMW ABS anti-lock braking system, self-levelling rear axle suspension and advanced driver-oriented cockpit technologies.

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HT/1

U.S. Tightens Rules On Travel for Diplomats Of 4 East-Bloc States

By Bernard Gwertzman
New York Times Service

WASHINGTON — The U.S. government now requires diplomats of East Germany, Poland, Czechoslovakia and Bulgaria to make travel arrangements within the United States through the State Department.

The new policy, which runs counter to previous efforts to keep travel as uninhibited as possible, will make it possible for the Federal Bureau of Investigation to keep track of the four nations' diplomats.

The government did not indicate that travel by nationals of the four countries would be curtailed.

But it has warned all the East European allies of the Soviet Union that their diplomats' right to travel freely will be curtailed if any of their nationals are found spying in areas that are closed to Soviet citizens, State Department officials said Saturday.

The moves are part of an effort to prevent East Europeans from spying on behalf of the Soviet Union.

Two other Soviet allies — Romania and Hungary — also have been warned against spying, but their citizens do not have to make travel bookings through the State Department.

Other curbs are being placed on some diplomats from Cuba, Libya, Iran, Afghanistan, North Korea, Vietnam, Mongolia and Cambodia and representatives of the Palestine Liberation Organization.

The government's rationale in curbing the East Europeans was discussed Thursday in Senate testimony by Rozanne L. Ridgway, assistant secretary of state for European and Canadian affairs. The testimony was made available Saturday.

"Clearly," she said, "Moscow's East European allies do involve themselves as surrogates for the Soviet Union in the illegal acquisition of intelligence and controlled technologies. In taking steps to reduce the espionage threat in the United States, we are mindful of the East European dimension."

The new curbs on some of the East European countries reflect a foreign policy that differentiates between the Soviet Union and its allies, and among the East Europeans.

The United States has been applying the most restrictive travel rules to Soviet citizens in retaliation for Soviet curbs on the travel of Americans.

The Soviet government not only

requires that travel by Americans — and other foreigners — be arranged through official agencies, but has placed about 25 percent of the Soviet territory altogether off limits to foreigners.

In return, the United States has closed about 25 percent of its territory to Soviet citizens, including areas of sensitivity, such as the Silicon Valley computer development area near San Francisco.

Meanwhile, four of the Soviet allies — Bulgaria, Czechoslovakia, East Germany and Poland — will have to book travel through the State Department for their diplomats, although apparently no areas have been declared off limits.

A State Department official said that Romania and Hungary have been treated more favorably in recognition of the independence of Romania from the Soviet Union in foreign policy and of Hungary's relaxed domestic attitudes.

In the light of recent espionage cases, some involving East Europeans apparently acting on behalf of the Soviet Union, several bills have been introduced in Congress to restrict the number of Soviet-bloc personnel in the United States and to include East Europeans in the restrictions previously placed on the Soviet Union.

The State Department has been concerned that extending the travel restrictions to East Europeans would lead to retaliation against Americans who now are allowed to travel freely within the East European countries and thus cut back on the gathering of valuable information.

"Given the closed and controlled nature of East European societies," Mrs. Ridgway said, "our ability to travel unimpeded by controls or restrictions is of significant value to us. The East Europeans do not impose discriminatory restrictions on travel by U.S. personnel in their countries. Our personnel can travel at will without advance notification or authorization."

"Hence, in reviewing possible travel restrictions on East European personnel in this country, the challenge to our own interests is clear.

"We need to preserve our ability to acquire vital political and economic information, maintain contacts with religious leaders, dissidents, academics and cultural figures, monitor military maneuvers or the installation of new weapons systems, expand opportunities for American businessmen, provide the full range of consular services to American citizens in distress."

(Continued from Page 1)
human rights movement in Moscow.

In August 1984 Mrs. Bonner was on charges of anti-Soviet slander and given a five-year sentence of exile to Gorki, a Volga River city off limits to foreigners.

The last time Tass issued any information about Mr. Sakharov was in May 1984, when he began a hunger strike to persuade authorities to allow Mrs. Bonner to leave the Soviet Union for medical treatment.

At that time, Tass said that Mr. Sakharov was eating regularly, feeling well and leading an active life. According to recent reports, Mr. Sakharov's hunger strike in 1984 ended only when he was fed by force at a hospital in Gorki. He reportedly suffered a minor stroke at the time.

The Tass report said that Mr. Sakharov had undergone a complete checkup at the Semashko regional clinical hospital in Gorki under the supervision of "highly qualified" specialists.

Mr. Sakharov was following his prescribed treatment "meticulously," Tass said, and his doctors described him as a "model patient."

According to Tass, Mr. Sakharov wrote a note of thanks in the hospital visitors' book, in which he said: "I have no complaints to make about the medical workers of the hospital. I am satisfied with the attention and care I receive from attending physician Aminayeva and the medical nurses."

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Mr. Sakharov was following his prescribed treatment "meticulously," Tass said, and his doctors described him as a "model patient."

According to Tass, Mr. Sakharov wrote a note of thanks in the hospital visitors' book, in which he said: "I have no complaints to make about the medical workers of the hospital. I am satisfied with the attention and care I receive from attending physician Aminayeva and the medical nurses."

■ Bonner Is 'Very Concerned'

*Kevin Klose from Boston:
Post reported from Boston:*

Looking strained and pale, Mrs. Bonner arrived in the United States Saturday and said she was "very concerned and anxious" for her husband.

Mrs. Bonner, who praised American support for her husband, said she will attempt to telephone Mr. Sakharov in Gorki.

Barriers Remain for U.S. and China, But Relations Are 'Steady,' Wu Says

The Associated Press

BEIJING — China's foreign minister said the United States still regarded Beijing as a potential adversary and that barriers remained in relations between the two nations, the official Xinhua news agency reported Sunday.

Foreign Minister Wu Xueqin, a member of the Communist Party Politburo, said that overall development of relations between China and the United States had been "quite steady" this year and that China "deeply appreciates" growing cooperation with Japan.

But he cited the Taiwan issue and U.S. export restrictions as remaining obstacles with Washington, and said Japanese investment and technology transfer should move to a "higher stage."

Mr. Wu said he welcomed the United States's decision in October to relax restrictions on exports of high technology to China, as monitored by COCOM, the Coordinating

Committee for Multilateral Export Controls, based in Paris. The committee clears technically sophisticated Western exports to Communist countries.

The Soviet deputy foreign minister, Mikhail S. Kapitsa, had held "open" talks with Chinese officials, including Mr. Wu, on normalizing relations between the two countries, Xinhua said Saturday.

Reuters reported from Beijing. Foreign diplomats said the statement's wording suggested that the talks had made no progress.

■ Leaders Address Students

The Chinese government sent several of its top leaders Sunday to a convocation of university students that they should follow the leadership of the Communist Party and concentrate on their studies rather than on political demonstrations and protests, the Los Angeles Times reported from Beijing.

"Today's central task is to recon-

struct the motherland, turning it into a strong socialist power," said Li Peng, deputy prime minister and a Politburo member. He said that in order to realize that aim, "we have to maintain stability and unity."

Mr. Li, the adopted son of Zhou Enlai, the former prime minister, delivered the keynote speech on behalf of the government at Beijing's Great Hall of the People.

About 6,000 students attended the official ceremony in honor of the 50th anniversary of the Dec. 9, 1935, demonstrations by students in Beijing against Japanese aggression.

Since last year, Chinese students have put up posters and staged several demonstrations to protest poor conditions on campus, against what was termed a "second invasion" of China by Japanese consumer goods. They have also protested the inflation and corruption that have accompanied China's economic reforms.

Mitterrand Denies Reports on Future Of Prime Minister

PARIS — President François Mitterrand has personally ended the speculation that Prime Minister Laurent Fabius might be about to resign.

Mr. Mitterrand said in a television interview Saturday that their "harmony of action and thought covered practically every field." He added: "Why do you want me to defend myself of a good government and a good prime minister?"

The statement apparently was intended to stop rumors that Mr. Fabius would resign after a dispute with the president over the visit to Paris on Wednesday of the Polish leader, General Wojciech Jaruzelski.

After the fighting at Hama, about 50 Syrian Moslem fundamentalists took refuge in the port city of Tripoli in northern Lebanon. They went into hiding after Syrian troops were deployed there in October.

The reported sweep came after a pledge by King Hussein last month that Jordanian territory would never again be used as a base for fundamentalist extremists operating against Syria. The king acknowledged that such activity had occurred in the past, but said he had not known about it.

Hussein made the gesture to remove strain in Jordan's relations with Damascus and to clear the way for a recent visit to Syria by Mr. Rifai.

Jordan Moves to Restrict Moslem Fundamentalism

By Ihsan A. Hijazi
New York Times Service

BEIRUT — Jordan has begun imposing tight restrictions on Moslem fundamentalists, reflecting a growing tendency on the part of Arab governments to suppress religious extremists.

A bill giving the government the right to monitor sermons at mosques throughout Jordan has been submitted to Parliament by Prime Minister Zaid al-Rifai, according to press reports from Amman, the Jordanian capital.

The authorities were reported earlier to have rounded up 250 members of the Moslem Brotherhood, a fundamentalist organization.

The reported sweep came after a pledge by King Hussein last month that Jordanian territory would never again be used as a base for fundamentalist extremists operating against Syria. The king acknowledged that such activity had occurred in the past, but said he had not known about it.

Hussein made the gesture to remove strain in Jordan's relations with Damascus and to clear the way for a recent visit to Syria by Mr. Rifai.

Now the Syrian prime minister, Adel Raouf al-Kassem, is due in Amman soon, and political analysts say the Jordanian measure is intended to reassure Syria of a de-

termination to keep the fundamentalists in check.

Over several years, the Moslem Brotherhood had engaged in a violent campaign against the Syrian president, Hafez al-Assad, and, early in 1982, the Syrian Army broke the back of the organization in Syria by attacking it in the city of Hama, its stronghold.

A presidential decree issued in Damascus early this year offered clemency to Moslem Brotherhood activists who repented, and as many as 300 have accepted. Many had been living in Jordan, where they had opened training camps now closed.

After the fighting at Hama, about 50 Syrian Moslem fundamentalists took refuge in the port city of Tripoli in northern Lebanon. They went into hiding after Syrian troops were deployed there in October.

The arrival of about 1,000 Syrian soldiers backed by tanks, as well as the re-establishment of positions for Lebanese leftist factions backed by Damascus, sharply cut fundamentalist influence in Tripoli.

In eastern Lebanon, according to a French-language daily newspaper, *Le Rêveil*, tension has been growing between Syrian troops and Shiite Moslem fundamentalists who are members of Hezbollah, or Party of God, which is linked to Iran.

Mr. Fabius voiced disapproval of the meeting and told the National Assembly that he had not been consulted about the trip.

The Sunday Times said the two governments were expected to exchange letters pledging action against kidnapping and hijacking before Dec. 25.

Russians Admit to AIDS Cases

MOSCOW — The Soviet Union has acknowledged for the first time that cases of AIDS have appeared here, but contended that the number of victims is fewer than 10.

The disclosures, in an article Saturday in the cultural newspaper *Sovieteskaya Kultura*, reversed official reports two months ago that there are no Soviet AIDS cases and that

East, West Join At UN To Condemn Terrorism

New York Times Service

UNITED NATIONS, New York — The United Nations General Assembly has voted overwhelmingly to condemn acts of international terrorism as "criminal."

It was the first time that a resolution dealing with terrorism had been passed by the Assembly.

The vote was 118-1, with Cuba voting against the measure. Israel and Burkina Faso abstained. Iran was among the 37 nations that did not vote.

The Warsaw Pact countries, as well as Nicaragua and some Arab nations, including Syria, supported the resolution although they criticized it because it did not specifically condemn "state terrorism."

That term has been used in UN debates to describe American support of the rebels in Nicaragua and Israel's raids into Arab territory.

The resolution, which was passed Friday, "unequivocally condemns, as criminal, all acts, methods and practices of terrorism wherever and by whomsoever committed, including those which jeopardize friendly relations among states and their security."

It also calls on "all states to fulfill their obligations under international law to refrain from organizing, instigating, assisting or participating in terrorist acts in other states, or acquiring in activities within their territory" toward such acts.

■ U.S.-Soviet Effort Reported

A British newspaper said Sunday that the United States and the Soviet Union were close to agreement on a joint campaign to combat terrorism. Reuters reported from London.

The Sunday Times said the two governments were expected to exchange letters pledging action against kidnapping and hijacking before Dec. 25.

Potter Stewart, Former U.S. Justice, Dies

By Al Kamen
Washington Post Service

WASHINGTON — Potter Stewart, a pragmatic, nonideological Supreme Court justice whose mastery of internal politics made him a major force on the high court for 23 years until his retirement in 1981, died Saturday in New Hampshire following a stroke Dec. 2. He was 70 years old.

Justice Stewart retired from the court at a relatively young age, 66, saying he wanted to spend more time with his grandchildren. He was replaced by Justice Sandra Day O'Connor.

He is survived by his wife, Anna, a daughter and two sons.

According to the death, Chief Justice Warren E. Burger said Saturday, "For more than two decades, Justice Stewart gave dedicated and distinguished service to our country, first on the Court of Appeals and then on the Supreme Court."

"His death removes a splendid jurist from the bench," he said. "We mourn his loss."

Most experts believed that Justice Stewart's most important contribution to the Supreme Court lay not in the theories that he promoted, but in his building consensus behind the scenes. They also cited his commitment to considering each case objectively, an approach in which he took great pride.

Announcing his retirement in 1981, he said: "I think it is the first duty of the justice to remove his own moral, philosophical, political and religious beliefs and not to think of himself as some great philosopher king and apply his own ideology."



Justice Stewart was perceived more as a moderate or liberal, especially on civil rights and social issues. He joined the court's opinions striking down government aid to parochial schools and its 1973 ruling that legalized abortion.

Justice Stewart's most famous quotation reflected the court's difficulties in dealing with laws on obscenity. He admitted in a 1964 case that he might never succeed in defining "hard-core" pornography, and then added, "But I know it when I see it."

Shy and somewhat patrician, he was born in an established, well-to-do, Cincinnati family. His father, a Republican, served as mayor and later on the Ohio Supreme Court.

After attending a private East Coast preparatory school, Hotchkiss, and Yale University, Justice Stewart returned to Cincinnati to practice law. He was a member of the city council and a vice mayor in the early 1950s.

He was the youngest federal judge in the country when Eisenhower appointed him to the 6th U.S. Circuit Court of Appeals in 1954. Eisenhower gave Justice Stewart a recess appointment to the high court in October 1958 and formally nominated him in January 1959.

Burr Tillstrom, 68, Creator Of TV's 'Kukla, Fran & Ollie'

PALM SPRINGS, Calif. (AP) —

Burr Tillstrom, 68, who created the children's television show "Kukla, Fran & Ollie," died Friday at his home.

The program, which starred a bucktoothed dragon, a little bald

clown and a gracious hostess, delighted millions of families and was credited with building an audience for television when it was a new medium.

The show ran from 1947 to 1957 and was followed by reincarnations as late as 1976. It brought Mr. Tillstrom three Emmy and two Peabody television awards.

■ Other death:

Margaret Strong de Larraza, 88, a philanthropist and the only surviving granddaughter of John D. Rockefeller Sr., Monday in Madrid.

Antonio Della Croce, 71, identified by federal and local investigators as the No. 2 leader of the Gambino, the largest of New York's five Mafia families, Dec. 2 at a hospital that was not identified.

Philip S. Bernstein, 84, a rabbi who helped about 200,000 Jews resettle after World War II, on Tuesday in Rochester, New York.

Lore Fortune, 61, an Italian minister who defied the Vatican by ushering in Italy's first divorce law and sponsoring legislation to make abortion legal, Thursday in Rome.

Water Please, 109, the oldest military veteran in the United States, Thursday in Lebanon, Pennsylvania.

Doug Stover, 86, a radio pioneer who wrote the Amazing But True newspaper column and helped the early careers of many stars, Wednesday in Clearwater, Florida.

Robert Graves, Poet and 'I, Claudius' Author, Dies

(Continued from Page 1)

rank him among the finest practitioners of the English language today.

He stood apart from fashions and never quite secured a central position in the pantheon of poets who emerged in the 1920s and 30s. But from the 1950s onward, an increasing number of younger poets and younger readers saw in his work an important alternative to the Eliot and Auden tradition.

Mr. Graves, who fractured his nose by tackling low in a rugby game, had a rugged, athletic look that lasted well into old age. More than six feet (1.83 meters) tall, he had deep-set gray eyes, a high forehead, white hair and a large, arresting head. He was usually well tanned from the Majorcan sun.

Robert von Ranke Graves was born in London on July 24, 1890. His father was Alfred Percival Graves, an Irish poet and ballad writer. His mother, Amy von Ranke, was the daughter of a German professor of medicine and was directly related to Leopold von Ranke, the great German historian.

When war broke out in Europe, the young Mr. Graves joined the Royal Welsh Fusiliers and served as an officer in the same regiment as Siegfried Sassoon, who inspired him to write poetry in earnest. Before the war was over, he had published three volumes.

Mr. Graves was severely wounded in 1916. He recovered, but the agencies he had witnessed as a platoon and company leader in the front lines scared him for life.

The war, he said later, changed his entire outlook on the world. He joined those who felt that his generation had been sold by generals and men of wealth.

He attended Oxford after the war and married Nancy Nicholson, the daughter of Sir William Nicholson.

Mr. Graves received his bachelor of literature degree in 1926 and was appointed professor of English literature at the newly founded Egyptian University in Cairo. Returning

to England in 1927, he vowed never to take another job for the rest of his life.

Working 18 hours a day, he took two months to write a biography of his friend T. E. Lawrence, "Lawrence and the Arabs." The book was selling at the rate of 10,000 copies a week by Christmas of 1927.

The biography brought him financial success that his poems had lacked, for all the critical acclaim that they received.

Mr. Graves and his wife had two daughters and two sons, one of whom would be killed in Burma in World War II. But the marriage was an unhappy one and ended in 1929.

His second marriage, to Beryl Pritchard, daughter of Sir Harry Pritchard, produced three more sons and one daughter.

In 1929 he took the advice of Gertrude Stein and moved to Majorca, the largest of the Balearic islands, to find the right atmosphere for his work. Except for the years of the Spanish Civil War and World War II, he lived in the small, flowering hillside village of Deya until his death.

Before departing for his Mediterranean retreat, he wrote an autobiography, "Goodbye to All That," published in 1929. His account of

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MONDAY, DECEMBER 9, 1985

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EUROBONDS

Interest-Rate Uncertainty Drives Investors to Cover

By CARL GEWIRZ

International Herald Tribune

PARIS — Year-end jitters, arriving a bit earlier than usual, sapped the Eurobond market last week. Institutional investors abandoned the market, preferring to bus themselves preparing their end-of-year reports rather than trying to guess where the market is headed.

The universal view is that interest rates are ultimately headed lower. But that is not as happening immediately; thus there is no compulsion to rush into making new commitments now. In addition, between now and the time rates do drop, there is a fear there could be an upturn.

The current inversion of the interest-rate yield curve is feeding this fear. Since the middle of November the yield curve has been flat — with identical charges on the cost of one- to six-month Eurobonds.

But last week, the curve inverted, putting the cost of one-week to two-month bonds, 8 3/16 percent, above the charge on three- or six-month bonds, 8 3/4 percent.

Even though this inversion is seen to be due to temporary factors, it unnerves the market because it is an unnatural state of affairs. Some analysts link it to year-end bookkeeping maneuvers, some to the bunching of U.S. Treasury financings.

Whatever the reason and however temporary it may be, the inversion caused serious discomfort in the floating rate note market — particularly on the mis-matched floaters.

The height of popularity for this paper occurred when the one-month Eurodollar rate was more than 2 percentage points lower than the six-month rate.

By tying the interest payment to the six-month rate and adjusting it monthly, mis-match FRNs allowed banks buying this paper to pocket as profit the difference between their own borrowing costs and the income from the notes.

This has now reversed. As foreseen in such circumstances, the coupons fix for six months at the lower rate — permitting holders to borrow six-month funds and bring their borrowing costs into line with the income from the paper.

But holding that paper now is not very profitable. The margins over the interbank rate are thinner than on normal FRNs. In addition, the banks are now holding paper that yields less than if the money was invested in a one-month instrument.

THIS ALSO affected the fixed-coupon sector as the increasing short-term rates offered an attractive substitute for bonds yielding scarcely more. Investors clearly preferred to park their money in the deposit market and retain their mobility.

The best example of this was Citicorp's \$150-million of three-year, 9 1/2-percent notes priced at 101 1/4 to yield 8.38 percent. Why lock into a three-year commitment when a one-month deposit fetches an annual equivalent of 8.19 percent?

The market also registered its fatigue with bonds with wedged options — warrants that can be exercised only by surrendering callable paper to buy a noncallable issue. Monsanto issued \$100 million of five-year, 9 1/2-percent callable bonds at 100% and warrants at \$11 each, to buy noncallable bonds.

Analysts insist that if these warrants have any real value it is for the period after the exercise can be effected with cash. In the Monsanto issue, that is after three years. But then, the remaining life of the bond the warrant can buy is only two years. And that is deemed as too short to have any real impact on the value of the warrant.

The same was true for the five-year warrants offered by Merrill Lynch to buy, starting in 1989, 10-percent bonds maturing in 1990. Ditto for the put warrants it offered on the U.S. Treasury's 9 1/2-percent bonds due 1990.

Dart & Kraft did better, offering \$100 million of 10-year, 10 1/2-percent bonds at 101 1/2. In this case, holders of warrants have a five-year period to exercise for cash — but even here the issue languished for lack of support.

The only fixed-dollar issue to buck the trend was Inter-American Development Bank's \$200 million of 10-year noncallable paper issued at par bearing a coupon of 9 1/2 percent — a reflection of the market's current preference for noncallable paper from sovereign or supranational borrowers.

But whatever real interest there was to make commitments now was clearly reserved for equity-linked issues. Samsung Electronics, the first South Korean company to make a foreign equity offering, initially fared well trading at par to 102. But the closure

(Continued on Page 10, Col. 4)

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(Continued on Page 10, Col. 4)

Last Week's Markets

All figures are as of close of trading Friday.

Stock Indexes

United States

United Kingdom

France

Germany

Japan

Australia

Canada

Sweden

Norway

Switzerland

Italy

Spain

Portugal

Ireland

Netherlands

Denmark

Norway

New Eurobond Issues

Compiled by Laurence Desvilets from information supplied by European bond traders.

| Issuer | Amount (millions) | Mot. | Cou. | Price % | Price and week | Terms |
|--|-------------------|------|------|---------|----------------|---|
| FLOATING RATE NOTES | | | | | | |
| Holex | \$230 | 1992 | 1/4 | 100 | 99.81 | Over 6-month Libor. Callable at par on every interest payment date. Sinking fund to start in 1989. Fees 0.20%. Denominations \$250,000. |
| Anglo Building Society | £100 | 1997 | 1/4 | 100.05 | 99.90 | Over 3-month Libor. Callable at par in 1990 and redemptions or par in 1993 and 1995. Fees 0.19%. |
| Danish Finance Institute for Industry and Crafts | DM 100 | 1991 | 1/4 | 100 | 99.50 | Over 6-month Libor. Maximum coupon 7.98%. Noncallable. Fees 0.40%. |
| FIXED-COUPON | | | | | | |
| Chicorp | \$150 | 1989 | 9/4 | 101/4 | 98.38 | Noncallable. |
| Dart & Kraft Financial | \$100 | 1996 | 10/4 | 101/4 | 99.50 | Callable at par in 1990. Also 100,000 warrants, priced at \$17.50 each, exercisable into an identical, noncallable bond. Letter bond can be bought with warrants plus bond during the first 3 years, then with warrants and cash. Warrants ended the week of \$17.50. |
| General Motors Acceptance Corp. | \$200 | 1993 | 9/4 | 100 | 98.00 | Noncallable. |
| Inter-American Development Bank | \$200 | 1995 | 9/4 | 100 | 98.00 | Noncallable. |
| Monsanto | \$100 | 1991 | 9/4 | 100% | 98.25 | Callable at par in 1989. Also 100,000 warrants, priced at \$11 each, exercisable into an identical, noncallable bond. Letter bond can be bought with warrants plus bond during the first 3 years, then with warrants and cash. Warrants ended the week of \$10.00. |
| Textron | \$100 | 1998 | 10/4 | 99% | 97.00 | Callable at 101% in 1994. |
| European Investment Bank | £75 | 1996 | 10/4 | 98/4 | 96.20 | Noncallable. Purchase fund to start in 1986. £50 million issued now and £25 million reserved for top. |
| Sainsbury (L) | £100 | 1993 | 10/4 | 100 | 98.20 | Callable at 101% in 1992. £20 million issued now and £40 million reserved for a one-year top. |
| CPC Int'l | DM 200 | 2001 | 6/4 | 100 | 97.13 | Noncallable. |
| Inter-American Development Bank | DM 150 | 1995 | 7/4 | 99% | — | Noncallable private placement. |
| World Bank | DM 1,000 | 2015 | zero | 13 | 13.50 | Yield 7.04%. Noncallable. Proceeds 130 million marks. |
| Brown Shipley Finance | ECU 30 | 1994 | 9/4 | 100 | 98.00 | Callable at 100% in 1992. |
| Parbel Finance | ECU 50 | 1989 | 8/4 | 101 | 99.75 | Noncallable. |
| Chrysler Financial Corp | 75 | 1993 | 11 | 100/4 | 97.30 | Noncallable. |
| Nord LB Finance | Aus 50 | 1991 | 14 | 100 | 98.00 | Noncallable. |
| Unilever Beaufort | Aus 75 | 1989 | 14/4 | 100 | 98.50 | Noncallable. |
| West LB Finance | Aus 50 | 1991 | 14 | 100 | 98.00 | Noncallable. |
| Paribas Luxembourg | M25 40 | 1989 | 18 | 100% | 99.50 | Noncallable. |
| Montreal | Y 10,000 | 1995 | 6% | 101/4 | 99.50 | Noncallable. |
| QIAG | Y 22,000 | 1995 | 8/4 | 101/4 | 99.50 | Noncallable. Redeemable at maturity of 182.50 yen per dollar for a total of \$120.5 million. |
| EQUITY-LINKED | | | | | | |
| Ajinomoto | \$120 | 1990 | 5/4 | 100 | 99.00 | Noncallable. Each \$100 note with one warrant exercisable into company's shares at 1,123 per share and of 204.95 yen per dollar. Increased from \$90 million. |
| Samsung Electronics | \$20 | 2001 | 5 | 100 | 100.00 | Redeemable at 117 in 1990. Convertible starting 1997 at 1,622 won minimum per share and of 899.70 won per dollar. |
| Asko Finance | DM 150 | 1993 | 3 | 100 | 106.00 | Noncallable. Each 5,000-mark bond with 2 warrants exercisable into company's shares of 1,140 mark each. |
| Credit Suisse Finance | DM 150 | 1995 | 2% | 100 | 102.00 | Callable at par in 1993. Also 150,000 4-year warrants and 150,000 5-year warrants, of exercisable into 9 Eurobonds Ltd's bearer participation certificates of 330 Swiss francs each. |
| Dai-ki Kanto | DM 120 | 1991 | 2% | 100 | 99.00 | Noncallable. Convertible of 2,372 yen per share and of 81.25 yen per mark. |
| Morizumi Showa Unyu | DM 25 | 1990 | open | open | 101.00 | Coupon indicated at 3%. Noncallable. With warrants exercisable into shares or an expected 22% premium. Terms to be set Dec. 9. |
| Volkswagen Int'l Finance | DM 250 | 1996 | 3 | 100 | 108.00 | Noncallable. With warrants exercisable into company's shares of 407 marks each. |
| Bell Group | Aus 75 | 1995 | open | 100% | — | Coupon indicated at 10-11%. Noncallable. Convertible or an expected 18-20% premium. Terms to be set Dec. 10. |
| WARRANTS | | | | | | |
| Merrill Lynch | 0.125 | 1990 | — | \$14 | — | Call warrants exercisable at par after Dec. 1988 into Merrill Lynch's 10% bonds due 1990. |
| Merrill Lynch | 0.125 | 1989 | — | \$17 | — | Put warrants exercisable at par after Dec. 1988 into the U.S. Treasury's 9.96% bonds due 1990. |

Baker Plan: An Outline of a World Debt Strategy

(Continued from Page 1)

that what would be needed simply for the 15 countries cited by Mr. Baker, Mexico alone is expected to need at least half the total for itself.

In addition, the 15—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia—are named simply for illustrative purposes, as they are the countries with the largest debt, a Treasury Department spokesman said.

Mr. Baker never meant that lending expansion should be limited to those countries, but intended that it should cover all countries with problem debts, the spokesman added.

While the commercial banks are tied up wrangling over the details of the commitment they are being asked to make, the World Bank, which is supposed to move to center stage in orchestrating this decade of development, has largely disappeared from the scene.

Last week, almost two months after Mr. Baker's speech at the IMF-World Bank annual meeting in Seoul, the World Bank surfaced with a joint statement from the IMF expressing "their strong support for the initiative" and stating they are ready and willing to play their parts in the implementation."

U.S. Demands EC Telecommunications Opening

(Continued from Page 9)

what he said was its failure to move more quickly to open telecommunications markets. Such realization, he said, could take the form of duties, fees or restrictions on imports of West German products and services.

Since September, under the 1974 Trade Act dealing with unfair trade practices, the administration has initiated actions against Brazil, South Korea, Japan and the EC, and has listed more than 200 foreign trade barriers that it said impeded U.S. exports.

The administration is now examining several other cases, including allegations of unfair subsidies to Airbus Industrie, the West European consortium of French, West German, British and Spanish aerospace companies.

Mr. Yentz said he planned to raise Airbus in his talks with West European trade officials this week. "There are a lot of allegations."

about Airbus, he said, "but the case is not ripe for action."

Mr. Yentz also said that "telecommunications is the most contentious issue" faced by the Reagan administration in preparation for the GATT talks.

In an earlier interview after talks

with GATT officials, Mr. Yentz said: "What we are trying to do in Europe this week is but a beginning—but we want the momentum to begin swinging on liberalization of trade in goods and services, with telecommunications very high up on our list."

"I am hopeful that we can move this process along through the efforts of not only Mr. Baumgärtner, but Madame Cresson," Mr. Yentz confirmed. He was referring to France's minister of industry and foreign trade, Edith Cresson.

Mr. Yentz will meet Mrs. Cresson on Thursday in Paris and he is expected to raise a proposed agreement between the state-owned Cie. Générale d'Électricité and Ameri-

can Telephone & Telegraph Co. that would greatly strengthen each company's position in the other's domestic market.

A Nov. 30 deadline for a French government decision passed amid continuing urging in Washington for an "AT&T solution," but wanted to improve the terms of the original AT&T-CGE draft agreement regarding marketing CGE products in the U.S. market. This process could take at least several weeks.

The official described as "speculation" and "rumor" reports suggesting that France was seeking to replace AT&T with several West European telecommunications companies.

French industry sources have cited L.M. Ericsson, Teltel, the British Telecom Group, and the French telephone and

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Outside the United States,

AT&T has been cooperating with Philips NV, the Dutch electronics company, to produce digital telephone switches for Western Europe, and in general, to expand its telecommunications operations outside the United States.

This is part of a joint effort to compete more effectively against IBM and other Japanese telecommunications companies, and the proposed link with CGE would be a key element in that strategy.

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The French-U.S. agreement would also represent a major vic-

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Monday, December 9, 1985

1986 Outlook

PERSONAL INVESTING

INSIDE

Current wisdom:
‘Recovery of the
dollar will not
be allowed.’

John R. Hardy of
Chemical Bank.
Reports on currencies
and options. Page 4

Minus inflation,
‘you’re not going
to get a booming
rally’ in gold.

Fred Bogart of
Republic National
Bank. The outlook for
precious metals
on Page 5

Out on a limb:
‘I am never
wrong...for more
than 24 hours.’

Harry Schultz,
international investor
and adviser. A profile
on Page 6

FOCUS

Funds in Europe:
Cautious Decontrol

THE collapse in 1970 of Bernard Cornfeld's Investors Overseas Services fund empire has always represented a watershed for the fund industry. Before the IOS collapse, investors in Europe "had to look out for themselves," with unfortunate consequences, said one European Community official. After the scandal broke, member countries tightened protection for investors and, in the process, helped to create barriers that have kept the European fund market relatively segmented.

Not surprisingly, 1970 was also the year that EC officials first took up the idea of establishing rules for the sale of fund shares. Fifteen years later, they finally established some guidelines to make it easier for a fund authorized in one member country to sell its shares to citizens of another member country. Although it may be some time before a West German investor will find it as easy to purchase shares in a British fund as in a German one, the guidelines have definitely altered the rules of the fund business in Europe.

The liberalization "should quite definitely have dramatic results," said Denis Forthomme, a member of the board of the Belgian Mutual Funds Association. The combined assets of the mutual fund groups in Belgium, Britain, France, Italy and West Germany have soared to \$135 billion, buoyed by recent spectacular fund growth in Italy and France.

THERE is an incredibly large scope for selling," Mr. Forthomme observed, "but it's going to be an enormous challenge" to construct a Europe-wide market.

In one respect, fund groups are understandably cautious about predicting the results of the new guidelines, which will establish common rules allowing a group that is approved by one member nation to sell shares in all the other member countries. The guidelines, known collectively in community parlance as a coordinating directive, set a deadline for the changes of Oct. 1, 1989, for most countries.

"We're taking this thing slowly," said Stuart Gilman, European investment manager of the British group Gartmore. The group's cautious attitude is perhaps due to the diversity of Europe's national fund markets. Each has its own traditions and marketing regulations that will complicate cross-border sales, even after the new guidelines take effect, fund group directors said.

The EC Council of Ministers began debating the liberalization proposal almost 10 years ago, but it took the impending entry of Spain and Portugal this January. British government pressure and the zeal of the new executive Commission, to prod ministers to take action last month.

Ministers realized that if they waited any longer, the

(Continued on Page 14)

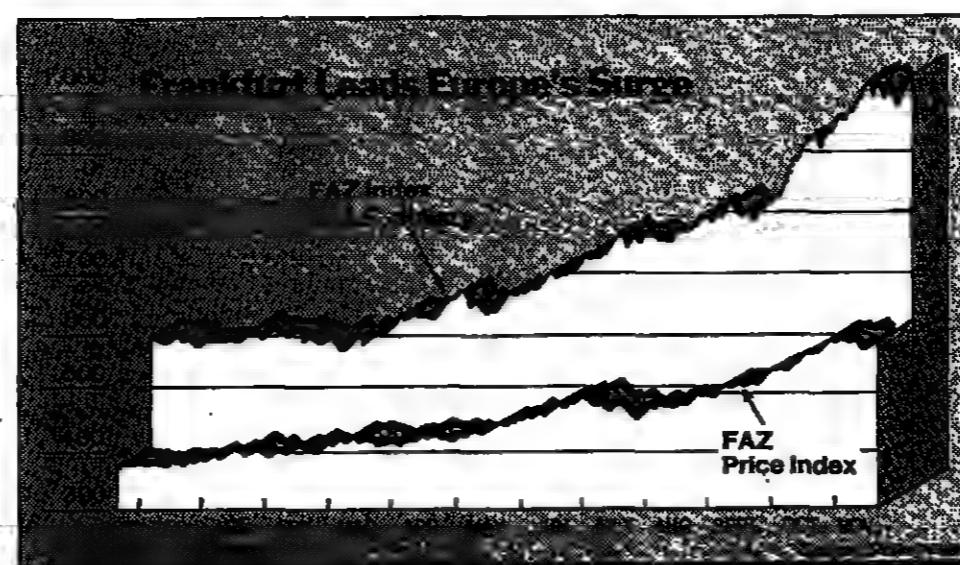
The Rally in Europe Shows Its Staying Power

By John Meehan

GUNTER Burgold is a busy man these days. As a senior trader for BHF-Bank, the West German merchant bank, he is a picture of perpetual motion as he glides around the floor of the Frankfurt Stock Exchange, answering phones, scanning telegrams and studying the price swings on the huge electronic tape board that dominates the exchange. Every week he squeezes a mile or two into the mere 20 feet that separate his small cramped office on the edge of the trading floor from the *Marktierschrank*, the rectangular desk in the center of the market where specialists execute orders.

"I wouldn't say that was the busiest I have been, but we haven't seen that kind of activity in a long time," Mr. Burgold, a veteran of 27 years on the trading floor, said of the June through October period. "I couldn't even get away for vacation. I couldn't afford to be away from my desk."

In many ways, Mr. Burgold's hectic work schedule reflects a profound switch in investment strategy in the past year. Although equity markets around the globe continue to touch record highs, the fading romance with the Tokyo market and uncertainty about prospects in the United States have translated into an unexpectedly big boom for markets in continental Europe. The Frankfurt and Zurich exchanges, whose prices moved at a glacial pace through most of the 1970s and early 1980s, suddenly find themselves in the limelight, ranking among the world's top performing markets in 1985. Even the tiny Milan market, shunned



for years by global investors because of its thinness and volatility, has brightened its image thanks to an influx of foreign funds.

The big question on the minds of many portfolio strategists is how long the European rallies will continue. The *Frankfurter Allgemeine Zeitung* index of 100 leading West German stocks languished from 1987

until 1982 when markets began to stir in response to Wall Street's legendary summer performance. It closed out November at 583.62, up almost 60 percent from a year ago.

Mr. Burgold said a brand new dimension has been introduced to the 1986 market with Deutsche Bank's surprise announcement that it would float most of the

Flick industrial empire, valued at over 5 billion DM (\$1.9 billion), on West German stock exchanges next year. He said it was too early to evaluate the impact of what will be West Germany's largest share offering.

"In keeping with pattern we've seen over past year, it appears British and U.S. institutional investors had closed out most of their investment activity by early November, accounting for the sharp drop in trading volume in November from record figures reached during the summer," Mr. Burgold added. "I expect heavy institutional investor activity will be taken up toward the end of January, with professional operators out of London and the U.S. taking the lead."

As investors restructure their portfolios for 1986, concern over the vitality of the European markets has replaced the broader themes that occupied investors through most of 1985. The debate over the slowdown in U.S. economic growth and its side effects on the rest of the world has substantially subsided. Even fear of the dollar has faded.

Roger Nightingale, chief economist at Hoare Govett in London, sees the Sept. 22 meeting of the Group of Five finance ministers as a turning point that reshaped the environment for investors. Although most global investors had been trimming their dollar exposure for some time in anticipation of a significant drop in the U.S. currency, the public announcement that governments of the United States, Japan, France, Britain and West Germany would cooperate to arrest the dollar's ascent removed a lot of the guesswork. "The investment climate changed totally because of

(Continued on Page 12)

NEW YORK

After the Surge, Caution Sets In

at Drexel Burnham Lambert. She and others attribute the unusual rise in part to the growing cash reserves chasing a decreasing supply of issues. Last year, mergers and stock repurchases took \$70 billion in shares out of the market. Another \$104 billion have been siphoned off so far this year.

There has not been a corresponding drop in demand. Institutional investors, some managing ballooning pensions funds, continue to funnel their assets into the stock and bond markets, encouraged by the falling interest rates and persistently low inflation that have made alternatives such as real estate and precious metals relatively less attractive. Strong foreign buyers have also helped to buoy prices.

But the bull's strength must be measured against a backdrop of increasingly complex factors affecting the economy. The federal budget deficit has increased U.S. reliance on the strength of foreign economies. Consumer and corporate debt levels also have reached unprecedented highs, leading many experts to wonder if further recovery can be sustained. "These fundamental excesses will begin to bite" early next year, warned Steven G. Einhorn,

hom, co-chairman of Goldman Sachs's investment policy committee.

Few economists predict more than modest growth next year. Gross national product in the first half of 1986 will likely increase at a slower pace than the 2.5 percent average for 1985. Activity probably will not pick up significantly until mid-year, when the benefits of the Group of

(Continued on Page 13)

Bank, co-chairman of Goldman Sachs's investment policy committee.

EUROPE

An Emphasis On Blue Chips

The steady gains on continental bourses may have pushed prices of popular shares to historic levels, but portfolio strategists are cautioning hopeful bargain hunters about turning to lesser-known stocks. With many of the smaller stocks lacking sufficient liquidity, analysts continue to recommend the blue-chips for early 1986.

Indeed, the investment themes remain unchanged. The only significant development involves Milan, where heavy buying has given way to caution on the part of many portfolio managers. Foreigners flooded the narrow market with cash earlier this year in response to the sanctioning of mutual funds in Italy. The Banca Commerciale index has doubled in the past year, and some fund managers are taking their profits.

In Frankfurt, Meinhard Carstensen, deputy managing director at Dresdner



A Daimler-Benz worker
at a plant in Bremen.

Bank, continues to favor financial services. "Bank stocks still look good," he said. "The banks are making a lot of money this year." With Deutsche Bank, Dresdner Bank and Commerzbank expected to post record profits this year, all three top the buy lists of most analysts.

Big industrial companies remain popular, especially Siemens. Auto companies

(Continued on Page 13)

FAREAST

Trade Frictions Pressure Market



A Japanese pharmacy. Drug shares have been jolted.

Japan's economic growth will fall to around 3 percent or less in fiscal 1986, down from this year's anticipated 4 percent. Moreover, analysts suspect the yen will be maintained at around 200 to the dollar, defusing trade friction somewhat, but also slowing exports. Interest rates are expected to fall in the first half, but will likely be kept sufficiently high to support the yen.

What direction the market will take in the second half is where opinions begin to diverge. Some, like Akio Kono, chief economist at Daiwa Securities, think the market will strengthen somewhat in the spring and continue fairly strong through the year, riding on expectations of a recovery in blue chips, new government policies to stimulate domestic demand, weak oil

(Continued on Page 13)



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LONDON

No Shortage Of Confidence



Prime Minister Thatcher.
Investors ponder elections.

Earnings rose about 15 percent this year thanks to a solid economic growth rate of about 3½ percent and strong consumer demand. The market also received a boost from well-publicized takeovers and the ensuing speculation about possible targets. But the outlook is upbeat. With the Conservative Party government of Margaret Thatcher facing probable elections in 1987, analysts are confident that the government will pursue its mild expansionary

(Continued on Page 12)

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Outlook: A More Tranquil Currency Environment

(Continued From Page 11)
G-5," Mr. Nightingale said. "I wouldn't be surprised if all markets set new highs."

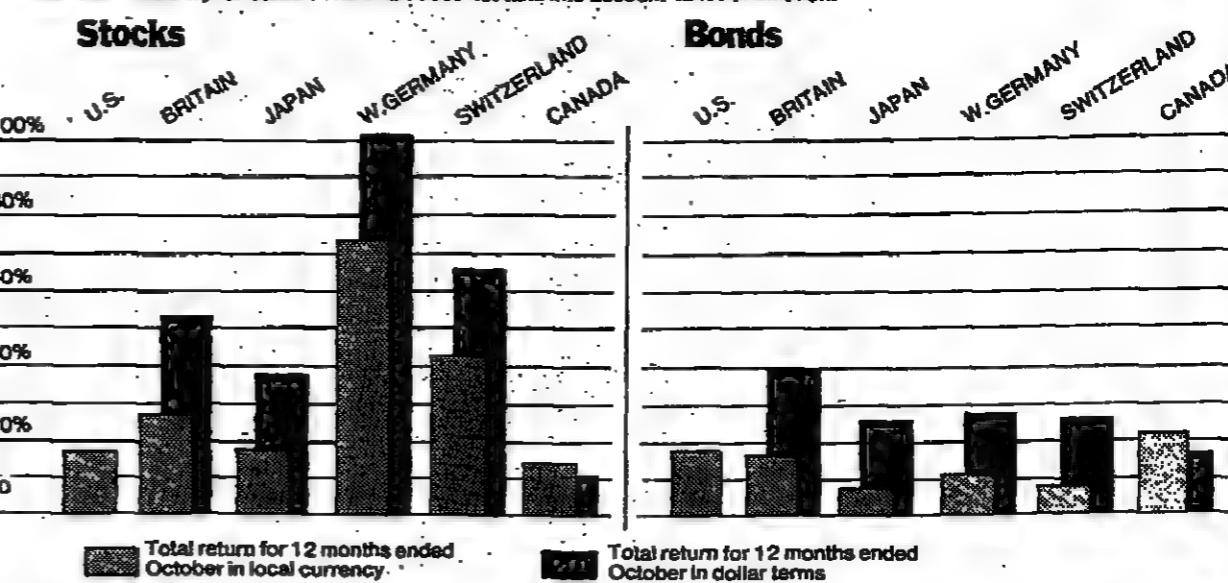
With a degree of safety against a resurgence of a sudden collapse in the U.S. currency, investors find themselves in a more predictable, if not yet tranquil, currency environment. The dollar's 25-percent drop in value since Jan. 1 has failed to generate any turmoil within the European Monetary System. Conventional wisdom held that as the dollar descended, the stronger EMS currencies, like the Deutsche mark, would rise so quickly as to force another realignment. But with inflation down, interest rates down and deficits declining among European countries, there has been little of the traditional pressure for a readjustment in parities.

More importantly, however, the G-5 meeting represented a tacit acknowledgment from Washington, Tokyo and European capitals that they would continue to pursue a more lenient monetary policy, nurturing economic growth at modest levels while bringing interest rates down another notch or more. Nigel Hurst-Brown, who manages fixed-income portfolios for Hill Samuel in London, thinks U.S. rates will drop another 100 basis points, or one percent. "We will see it sooner rather than later," said Mr. Hurst-Brown. "One isn't given such indication very often on where to make money."

Although officials in the Reagan administration have privately criticized Bonn's lack of zeal in pursuing a mild inflation, it is clear that most governments are

Total Return: Stocks Outrun Bonds

Total return measures both the changes in the prices of securities and the income they provide, either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

easing their restraints, shedding some of the monetarist policies that have been their mainstay since the famous inflation days of the late 1970s and early 1980s. "Everyone in the world seems to be accelerating money growth," Mr. Nightingale said.

With the recurring fear of another recession again postponed, U.S. economic growth, some economists believe, could be as low 1

percent to 2 percent in the first half of 1986. A quicker pace is forecast in the second half with growth for the year possibly climbing to about 3 percent compared with about 2.5 percent this year. Steadier growth is expected in Europe and the Far East. West Germany's gross national product is forecast to grow at an inflation-adjusted rate of 2.5 percent to 3 percent in 1986; Japan's growth

will likely average about 3 percent to 4 percent.

How long the current environment will last remains uncertain. Mr. Nightingale echoes other experts when he warns that the huge debt load that has been accumulated by governments, corporations and individuals could eventually spell trouble as economic growth slackens. The bulging trade deficit in the United States

also continues to cloud the horizon. Congress, he fears, may piece together some deficit-reducing legislation toward the end of 1986 that will include protectionist measures.

Nevertheless, the climate in the near term seems more predictable than it has in a long time. "Unfortunately, when things are more predictable, it's more difficult to make money," said Bernard Ratray, a director at American Express Asset Management in London. "The game is to become more inventive in picking stocks and markets to make money."

Despite the exhaustive pace of equity markets in Europe, most global portfolio managers are betting on further gains and remain overweighted in continental bourses and somewhat underweighted in the United States and Japan. "The bull markets in Europe are relatively recent if you take the long-term perspective," Mr. Ratray said. "And you could say that they are substantially undervalued."

LONDON

Rosy Views On Profits

(Continued From Page 11)
policies, especially now that stock market has improved against the dollar.

"The government will ride the consumer tiger right to the elections," Mr. Ingilis said. He sees a 10-percent increase in corporate profits in 1986, which will allow a similar rise in dividends. Mr. Brown at Greenwell also thinks earnings will rise 10 percent as the economy grows at a comfortable rate of 2.5 percent next year. This, he says, will force price-earnings multiples back to a more attractive average of 12x in 1986.

Another major impact on the 1986 market will be a further wave of privatization of government-owned industries. By far the most significant will be the sale of British Gas, which will take about £10 billion (\$14.8 billion) of funds from the market over two years.

Mark Cliff of Capel Curle Myers

believes that fears of the impact of privatization on equity sales may prove to be exaggerated. "Downward pressure may be relieved in several ways," he said. "Discount pricing and heavy marketing of each floatation will lead to a greater proportion being taken up by the personal and overseas sectors." Moreover, he says the tax cuts paid for by privatization will benefit institutional cash flow, allowing more funds for investment.

Michael Hughes, an analyst at De Zoete & Bevan, sees electricals as next year's recovery sector. "Once GEC moves, then the whole sector will go," he said. Among electricals, Mr. Brown likes Ferranti. He also recommends Lloyd Bank.

Mr. Ingilis of Phillips & Drew looks to the consumer sector. With proposals to expand the hours that pubs can remain open, he recommends breweries like Whitbread. He also favors what he calls "Deutsche mark sensitive" stocks that will see earnings rise as sterling loses ground against the West German currency. He says ICI and GKN are two examples.

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Outlook: Underweighting New York and Tokyo

NEW YORK

'A Tough Act To Follow'

(Continued From Page 11)

Five's efforts to drive down the dollar begin to take effect. At that time, growth could hit an annual rate of 3 percent by next summer, possibly setting the stage for another market rally.

Analysts uniformly stress that their forecasts would lose much of their rosy glow if several basic assumptions do not prove correct. First, the dollar must drop further and stay down. Second, the Federal Reserve Board must maintain its recent accommodative stance. Paul A. Volcker, the chairman who has battled inflation throughout his career, has pleased investors by allowing the money supply to outstrip this year's targets, presumably to assist the fall of the dollar and interest rates. If the Fed becomes alarmed again about inflation and tightens monetary policy, however, growth may be further stymied.

But despite what might be called a consensus on the prospects for long-term growth, caution prevails in the short term. "I wouldn't be surprised if I were recommending selling stocks and raising cash three months from now," said Mr. Einhorn of Goldman Sachs. Last month, Drexel Burnham began advising its clients to decrease their share holdings by 20 percent. And many investors who had previously emphasized sectors and cycles are adopting a "bottom-up," or company-by-company approach.

Restructured companies have become increasingly attractive to investors looking for alternatives in a low-growth environment. Mr. Johnstone of Fidelity favors Ford and Chrysler, both of which have engaged in aggressive stock-repurchase plans.

For the longer term, analysts

who expect a resurgence in economic growth during the second half of 1986 are again looking at cyclical stocks such as machinery companies, industrial commod-

ities, papers and chemicals. Michael Sherman, chief investment strategist for Shearson Lehman Bros., lists Coming Glass Works, National Gypsum and Collins & Aikman. Mr. Einhorn recommends American Cyanamid.

Some analysts also are taking a second look at sectors that have long been out of favor with investors. Mr. Einhorn and others expect a turnaround from small-capitalization companies which have underperformed for the last two years. Mrs. Cohen prefers oil companies because of their ability to

generate cash. She considers Royal Dutch and Sohio to be good values. Byron Wien of Morgan Stanley suggests examining oil-service stocks.

But Mrs. Cohen notes that bargains are rare in the current market, where stocks have risen from an average price of 8 times projected earnings in 1985 to 11 times earnings forecasts. "How much higher can they go?" she asks. "Consensus estimates for next year are already built into the market," she added. "It's time to start looking to 1987."

SIEMENS
Weekly share price in Deutsche marks

| |
|-----|
| 700 |
| 650 |
| 600 |
| 550 |
| 500 |
| 450 |
| 400 |
| 350 |
| 300 |
| 250 |
| 200 |
| 150 |
| 100 |
| 50 |
| 0 |

Sept. Oct. Nov.

Source: Datastream

These bigger companies have grown as fast as the smaller ones," said an analyst at another major West German bank. "Their multiples are still attractive."

Analysts, however, are less excited about some of the new issues that captured the attention of investors earlier this year. Nixdorf, the computer maker, is selling at twice the market multiple.

Investors are pursuing a similar strategy in Switzerland. The Swiss Bank Corp. index closed Friday at 587.4, up 45 percent from the start of the year.

Among Zurich analysts, the consensus is that the highs have not yet been reached. Most experts expect the Zurich market to add 10 percent or 15 percent in value within the next three to six months, an increase likely to send the Swiss Bank Corp. index comfortably above the 600 mark.

The reason for optimism is root-

well. He likes Nedlloyd and Van Ommen, two Dutch shipping companies.

Kees van Dalen, head of equity research at Algemene Bank Nederland, warns that the market may consolidate its gains in March and April ahead of the May general elections.

Potential big earners include all five of the largest banks — Union Bank of Switzerland, Swiss Bank Corp., Crédit Suisse, Bank Leu, and Swiss Volksbank.

In Amsterdam, analysts are confident that the market will continue its advance in the first quarter. Food shares like Unilever and Heineken, which are benefiting from strong export earnings, continue to rate a buy from most observers. Philips, the giant electronics group, and Royal Dutch Petroleum also are recommended.

Meanwhile, Stephen Barr, head of Morgan Stanley Asset Management in London, thinks it is time to look at the depressed sectors as

the center-right government, whose policies have favored the corporate sector, is facing a strong challenge from a center-left coalition. Public opinion polls show that the Christian-Democratic-Liberal coalition could lose its majority if elections were held now.

Elections also loom in France, where the center-right parties are expected to replace the Socialist majority in legislative balloting in March. John A. Lindsay, who tracks continental European markets for Phillips & Drew, said he expects the projected outcome to be a positive signal for the Paris bourse, which has flourished under Socialist rule. Analysts recommend export-oriented companies, like Maté Hanessey, Puma and BSN. Others are giving high marks to Peugeot and Michelin as long-term buys.

EUROPE

Banks Top German Lists

(Continued From Page 11)

like Volkswagen and Daimler-Benz and the leading chemical firms — BASF, Hoechst and Bayer — are favored.

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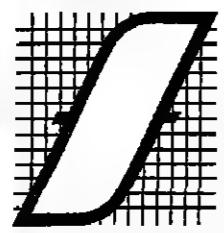
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Using Options For Betting On the Dollar

By H.J. Maidenberg

FOR THE investor who is interested in the foreign exchange market, currency options offer a convenient way to take a position on whether the dollar will rise or fall within a certain period of time. Given the uncertainty of the dollar's future course, an investor who guesses correctly can reap large profits. Those who are wrong can lose their entire investment, but unlike the futures market, they will never be at risk for more than they originally have put up, and that can be as little as \$1,000 or \$2,000.

Many options players, for example, doubled their money on Monday, Sept. 23, and have increased their profits since then. The reason: on Sunday, Sept. 22, the United States, Britain, France, West Germany and Japan agreed to work toward the reduction of the dollar's value. The next day, the dollar dropped 5 percent, its largest one-day decline ever, and it has been in a downward trend since. Those who made money had purchased call options on such currencies as the British pound, Japanese yen and Deutsche mark. In effect, they sold the dollar short by betting that the underlying foreign currencies would rise against the dollar.

On the other hand, those who sold the call options on those foreign currencies in the belief that the dollar would remain strong or appreciate further lost heavily.

An option gives the buyer the right, without any obligation, to buy (call) or sell (put) a certain amount of foreign currency at a specified "strike price" during a fixed period of time. The cost of the option is termed the premium, and it is determined through a continuous exchange auction process.

Options are "written" by investors who do so simply to earn the premium. Because writing entails unlimited risk for limited profit, only the most experienced options traders should engage in this side of the business. The same applies to the multitude of strategies that involve simultaneous purchase and writing of options, or combining options and futures.

The ordinary investors need only make a few decisions before investing in currency options, and the first one, obviously, is whether they think the dollar will rise or fall," said Alan C. Leventon, president of Twenty-First Futures, a unit of Twenty-First Securities Corp., of New York. "The second decision is how long it will take for the dollar to perform as expected, what foreign currency should be used as a surrogate for the dollar and, finally, how much to invest."

Most experts expect the dollar to decline over the next year, but no one can say how far or how quickly it will fall. Those who judge correctly could be big winners in the currency options market because options are highly leveraged instruments, Mr. Leventon noted.

The behavior of the British pound is a prime example. When the March 1985 British pound contract expired, the underlying currency was worth about \$1.05. It was worth \$1.25 when the June option expired. And when the latest quarterly option contract expired in September, the pound was at \$1.45.

Because the standard British pound options traded on Chicago Mercantile and Chicago Board Options exchanges consist of \$25,000 (\$37,000), each cent's move by the pound raises or lowers the contract's value by \$250. Investors who prefer smaller



U.S. Treasury Secretary James Baker III flanked by the finance ministers of West Germany, France, Britain and Japan after their meeting in New York on Sept. 22.

er foreign currency options can trade half-size contracts on the Philadelphia Stock Exchange.

How much money was actually made by those who had guessed right also depended on which of the quarterly options they had bought — March, June, September or December. The longer the contract, the higher the premium because it gives the buyer more time for the option to produce a profit.

Most individual investors need not be experts on foreign exchange to have a fair chance to make profits, provided their brokers, like professional traders, have access to computerized trading strategies. Computers can "crunch" volumes of complex mathematical data in seconds, provide minute-to-minute statistical data and indicate market trends.

The other major factor in determining the premium cost is how close the underlying currency is to the value specified in the option — in the jargon of the trade whether it is in, in, or out of the money. For example, assume that British pounds are trading at \$1.45. An option with a strike price at or very close to \$1.45 would be an "at-the-money" contract. Strike prices for currency options are set as various increments, depending on the size of the contract.

Using the same example, a pound call option with a strike price of \$1.425 or less would be termed "out-of-the-money," while those trading at \$1.475 or more would be "in-the-money." But an out-of-the-money option does not imply that it will carry a less expensive premium or that an in-the-money contract will be costlier. The premium depends on which way the market consensus leans.

Recently, for example, when the pound was worth \$1.40, the premium for an at-the-money December option, on the Chicago Mercantile Exchange was 430 cents per pound, or \$1,075 per \$25,000 contract. At the same time, a December \$1.375 out-of-the-money option traded at a premium of 4.5 cents, or \$1,375 per contract, while an in-the-money option with a strike price of \$1.425 carried a premium of 3.25 cents, or \$812.50.

Another variable in the pricing of premiums was introduced Sept. 30, when the Chicago Board Options Exchange began trading "European-style" currency options, which cannot be exercised by the

Knocking Down The Dollar

Against the Deutsche mark

Sept. 22

DM 3.1

3.0

2.9

2.8

2.7

2.6

2.5

M J J A S I O N

YEN 250

240

230

220

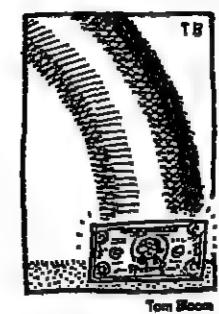
210

200

M J J A S I O N

Source: Datastream

Forecasts Focus On Interest Rates



Currency forecasting has never been an exact science, as the dollar's erratic journey over the past five years has shown. But the Group of Five's September meeting has provided another argument for a further decline in the U.S. currency in 1986.

The market believes that "recovery of the dollar will not be allowed" by the Group of Five, says John R. Hardy, director of Chemical Bank's foreign advisory service. The dollar's value has dropped 15 percent since the United States, Japan, West Germany, Britain and France announced Sept. 22 that they would coordinate efforts to bring the dollar down. Mr. Hardy projects exchange rates of 2.40 Deutsche marks and 190 Japanese yen per dollar by next June. His estimates are based on expectations of continuing softness in U.S. interest rates and economic growth in Europe, especially in West Germany.

Kota Waschio, a Tokyo-based economist with Nomura Securities, matches Mr. Hardy's projection for the yen, but places the mark slightly higher, at 2.45, by mid-1986. Mr. Waschio expects the Federal Reserve to cut its discount rate once or twice next year. He does not expect Japan to take similar measures before next spring when the central banks of Japan and Germany may be forced to strengthen their own currencies to fend off protectionist sentiments in the U.S., especially since 1986 is an election year.

Stephen Lewis, an economist with Phillips & Drew in London, stresses the desire of the U.S. government to have the dollar fall gradually. That is why he does not expect the Federal Reserve to cut the discount rate by more than one-half a percentage point in the early months of next year. He puts the dollar at 200 yen and 2.50 marks by mid-year. He expects that Japanese efforts to bolster the yen will push the dollar under 200 yen by the end of 1986.

Cautious Decontrol for Europe's Funds

(Continued from Page 11)

new directive would have to be renegotiated with the two new members, EC officials said.

What the directive does is set out basic requirements for the structure, investment and pricing of the funds. If a fund located in

one member nation meets these requirements and is approved by the national authorities, it is then free to sell in other member nations.

The funds, however, still will be subject to the marketing rules of the particular country or countries it chooses to enter. This is a re-

quirement that many fund officials say is one of their biggest current obstacles to foreign sales, and they believe it is one of the major limitations to the EC directive.

There are only two EC countries, for example, that permit door-to-door selling — Italy and

France, according to Mark V. St. Giles, director of GT Unit Managers — although the British Parliament is to soon consider a bill allowing this technique.

Another major problem that funds face when trying to break into a foreign market is establishing a distribution network that will give them access and credibility. "If I walked down the street in West Germany and tried to sell no one would know anything" about the fund's quality, said Paul Bateman, marketing and development director of Save & Prosper, a British fund group.

To meet this problem, Mr. Bateman said, his company plans to do marketing research next year in several European countries.

Mr. St. Giles sees another challenge in finding foreign intermediaries — a natural bit of "commercial brutality" in the attitude of national fund markets toward outsiders, which he said will make international transactions "slow in coming."

Cross-border sales of funds also are limited by the foreign-exchange controls in four EC countries — France, Italy, Ireland and Greece. A second directive approved by the ministers actually allows the free flow of capital concerned with fund transactions, but countries with balance of payments problems or capital flight difficulties are permitted to ask for exemptions from this requirement.

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| Fund | Price | Yield (%) |
|--------------------|-------------|-----------|
| Sterling Dep. | £ 1.014 | 10.67 |
| U.S. Deposit | £ 1.057 | 7.12 |
| DM Deposit | DM 5.153 | 3.58 |
| Yen Deposit | Yen 520.4 | 4.82 |
| Sw.Fr. Dep. | SF. 5.127 | 3.55 |
| N. American | \$ 1.39 | 0.50 |
| Japan | ¥ 1.80 | 0.00 |
| Pacific Basin | ¥ 1.43 | 0.00 |
| Int'l. Growth | £ 1.52 | 0.40 |
| British | £ 1.42 | 2.00 |
| Sterling G.R. | £ 1.08 | 10.25 |
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1/4 ounce 1 ounce 1/2 ounce

Goldbugs Pin Their Hopes For 1986 on Inflation

The metal's vigor wanes at about \$340, but platinum's rise offers some hope.

By Bruce Hager

New York THE NEWS for precious metals has been pretty good lately. The Group of Five's intervention significantly weakened the dollar; metal prices have stabilized at their 1985 lows, and the Federal Reserve's accommodative monetary policy is leading some to expect higher inflation in the months to come.

Up to date, precious metals have acted with more than glee. At the New York Commodity Exchange, traders still haggle over nickel and dime wares while gold and silver prices sit stubbornly in the middle of their 1985 price ranges.

"I don't see any major influences pushing gold prices higher," said Michael Coulson, gold analyst, Phillips & Drew in London, adding that he thinks prices might even drift below \$300 by February because of investor apathy.

The reason is that inflation continues to be negligible, enhancing the relative attractiveness of financial instruments. In the United States, the rise in the consumer price index slowed to a 2.3-percent annual rate in the third quarter from 3.3 percent in the previous quarter. On a global basis, inflation rates are expected to decrease toward the end of next year.

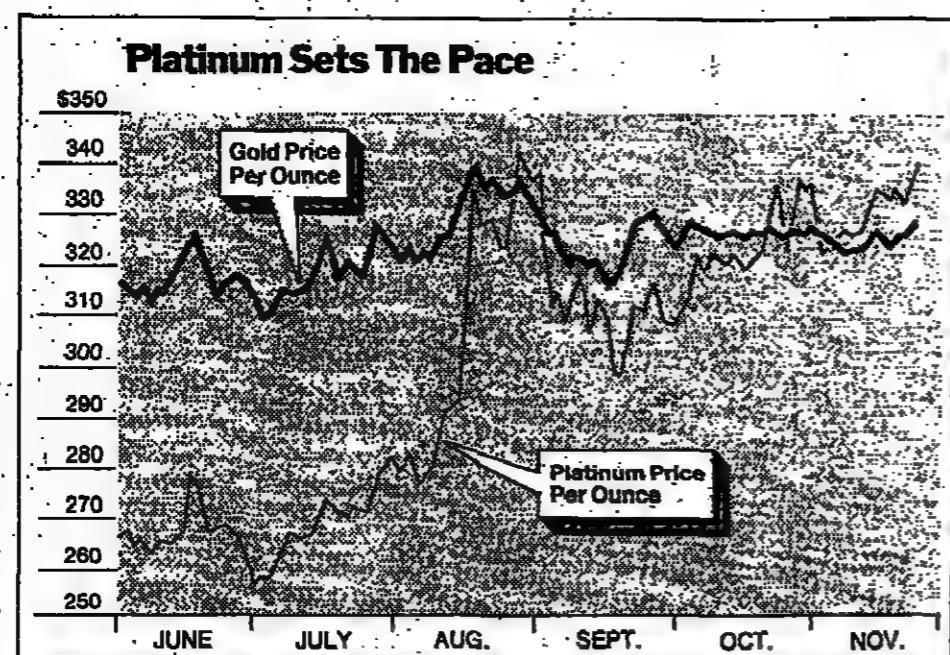
Organization for Economic Cooperation and Development projects that inflation will duplicate 1985 annual rate of 4.75 percent for the first half of 1986 and dip to 4.5 percent during the second

quarter. "If you don't think inflation's going to be booming ahead, you're not going to get a booming rally," acknowledged Fred Bogart, chief precious metals analyst for Republic National Bank in New York. In view, only a return to the double-digit inflation of the late 1970s and 1980 would spark a rush to trade assets.

There is still hope, however. Technical analysts John Murphy of the Commodity Research Bureau argue that the five-year bear market has given way to a sustained "basing" or sideways pattern, excited by the narrow trading ranges for gold and silver this year. Indeed, analysts note that gold has not support above \$300 from central banks, who are net buyers in 1985 for the first time in two years. The implication of that pattern could be a pronounced upward movement within the next six months.

In the minds of some observers, platinum, the most volatile precious metal, could prove to be the catalyst. An \$18 surge near the end of November lifted the January futures contract price to \$355 an ounce, a high for the year, leading some analysts to expect this could be the harbinger for a long-awaited bull market in gold and silver.

"Platinum is going to lead precious metals," said James Kneafsey, president of Cambridge Commodities Corp., a research firm in Cambridge,



Massachusetts. He said that the metal could move up gradually to \$380 to \$390 an ounce over the next few months.

The key difference between platinum and the other precious metals is that platinum is more price sensitive to certain geopolitical factors than gold and silver. South Africa, a country of increasing political turmoil, controls 75 percent of the world's platinum supplies. The Soviet Union is the other major producer.

"There's much less above-ground stock in platinum, which means that platinum is much more vulnerable to a cessation of supply from South Africa" than is gold, said Alan Davidson, a precious metals analyst with Shearson Lehman Bros. in London.

At the same time, industrial demand is strong. Platinum is an integral component in catalytic converters for automobiles. Worldwide demand is expected to jump 19 percent within six years if the European Community mandates converters on European cars and trucks.

Not surprisingly, many investors think the metal's volatility can trigger a bullish response from gold and silver. Only a few months ago, platinum was trading at a \$60 discount to gold. Since then, prices have shot up 75 percent and the metal has been trading at a \$25 premium.

"People suspect that when platinum is trading at a premium to gold, you're going to have a gold rally," said George Anagnos, market analyst for the New York Commodity Exchange. Because platinum rises faster than gold during rallies, he explains, the platinum premium can be used as a measure of market trends.

Historically, there is some truth to this. In 1980, when precious metals topped out at the height of inflation, an ounce of platinum was \$1,189.50 — more than a \$300 premium to gold's record price of \$875. Silver, the so-called "weak sister" of precious metals, had a high of \$30.35 the same year.

If gold is going to rise, it will need platinum's lead. True to form, gold has risen inversely to the dollar,

exchange. If tin prices go crashing, says Bettie Rapaport, senior metals analyst at Prudential-Bache Securities, that might spark a flight to the "safe haven" gold provides and a 10-percent price improvement.

Another is the long-term bullish technical sentiment. Mr. Murphy thinks that a five-year decline in commodities prices is over, reflected by the basing or sideways trend in precious metals and commodities prices overall.

"If the bullish scenario works out, then I would look at gold moving to \$400" in 1986 but not within the next two or three months, he said. "I think the people who are bearish on gold are not looking at the broader picture."

If gold has lost its luster, then silver has acquired a tarnished reputation. The one bright day in silver trading occurred in early October, after a report said that the Hunt family had sold 90 percent of its 59-million-ounce hoard. Prices jumped 33 cents to \$6.50 an ounce but quickly fell back again to their current \$6.15-to-\$6.30 range.

ANY analysts thought that the Hunt family sale would remove an important psychological barrier. There was fear that the financially troubled family might suddenly flood the market with one big sale, causing prices to tumble even lower. Although the family secretly liquidated its stocks over a matter of months, the same analysts now say that the Hunt silver has merely added to an overall market surplus. That, combined with weak industrial demand, has created short-term resistance at \$6.40 to \$6.50 an ounce.

"To relieve the downside pressure requires a weekly closing of \$6.45," said Martin Armstrong, chairman of Princeton Economic Consultants, adding that such a move is not immediately likely.

The good news, however, is that silver prices have found long-term support at \$6. "I wouldn't rule out the possibility of near-term weakness," warned Bernard Savalik, a senior precious metals analyst with Paine Webber in New York, but "I think around \$6, silver's cheap and won't fall that much lower."

There is a similar consensus for palladium. A member of the platinum group, palladium has recently found a niche from \$95 to \$100 an ounce, a little above the 1985 low of \$91.40 in March. Analysts say that short-term stability could lead to an upward trend over the long term. But the metal's price is likely to remain uncertain over the next six months.

The main reason is weak industrial demand. Like platinum and gold, palladium is used in electronics as connectors and contacts in computers. But the weakness in the computer and electronics industry has led to a corresponding decline in palladium demand, according to Mr. Linnemann at Merrill Lynch. He expects palladium prices to fluctuate from \$92 to \$110 over the short term.

Adding to the uncertainty is the Soviet Union's response to a price upswing. The Soviet Union is the world's biggest palladium producer and in the past has sold huge amounts on the world market when prices were attractive.

Still, Mr. Linnemann and other analysts say the longer term prospects are strong. Palladium also is used in catalytic converters, though to a lesser extent than platinum. If the EC chooses converters for automobile emissions controls, prices could grow at a double-digit rate, analysts say.

JOEL, in 1985

Page 15

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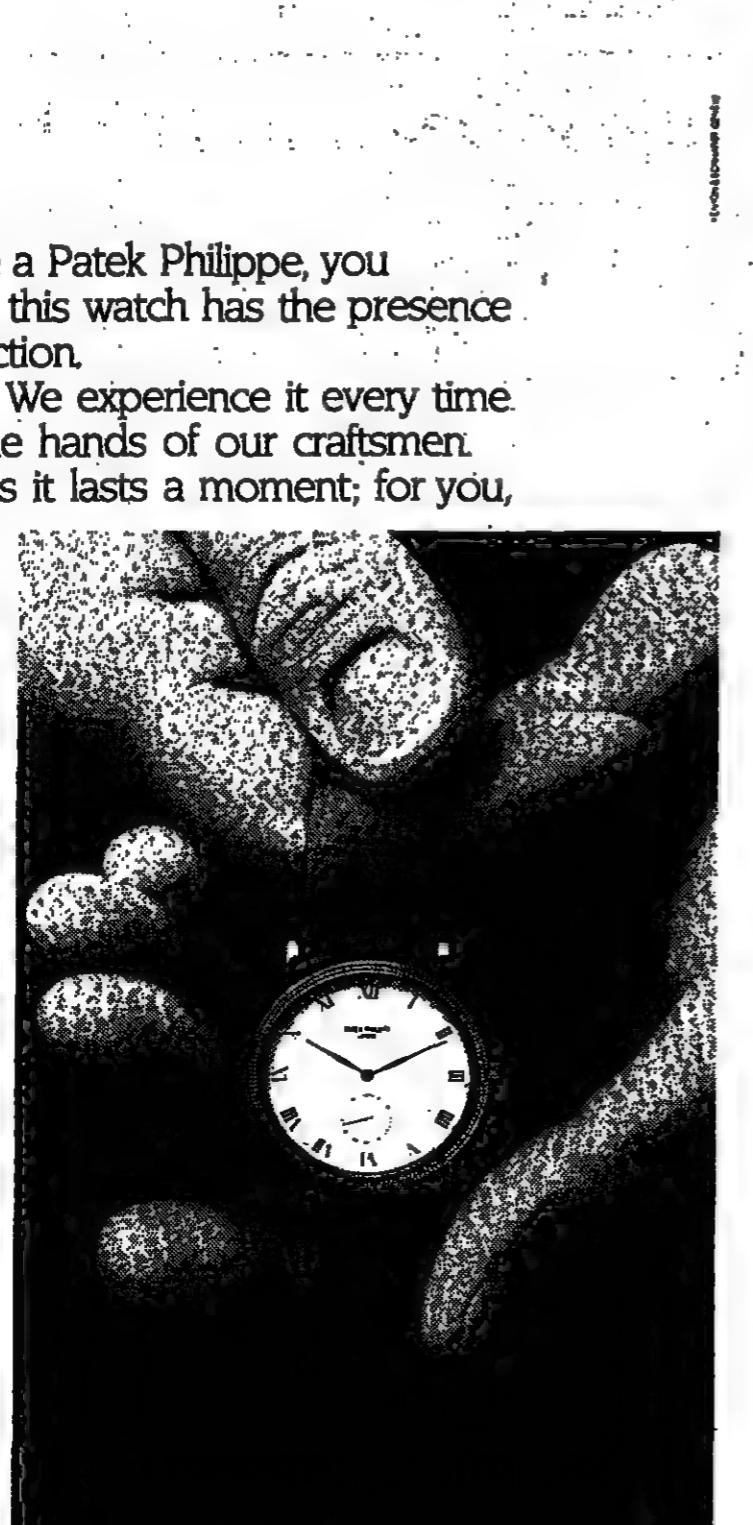
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Yield
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Av. Life Curr.

Yield
% Mat. Mkt. Price
Av. Life Curr.

Yield
% Mat. Mkt. Price
Av. Life Curr.

(Continued from Page 8)

FOREIGN TARGETED BONDS OF THE TREASURY AND OF ITS AGENCIES

US

1980 10 Treasury

NASDAQ National Market

OTC Consolidated trading for week ended Friday-

(Continued on Page 19)

American Exchange Options

Figures as of close of trading Friday.

Chicago Exchange Options

Chances of rises of trading Fridays

SELECTED U.S.A./D.T.C. QUOTATIONS

| | BID | ASK |
|--------------|--------|--------|
| Apollo Comp. | 14 1/4 | 14 1/2 |
| Mr Gasket | 9 3/4 | 9 1/2 |
| Bitter Corp. | 5 | 5 1/2 |
| Modulaire | 10 3/4 | 11 |
| Radime | 10 3/4 | 11 |

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 WITH COMPLIMENTS OF
 CONTINENTAL AMERICAN

NASDAQ National Market

OTC Consolidated trading for week ended Friday:

Last Week's NYSE

Last Week's AMEX

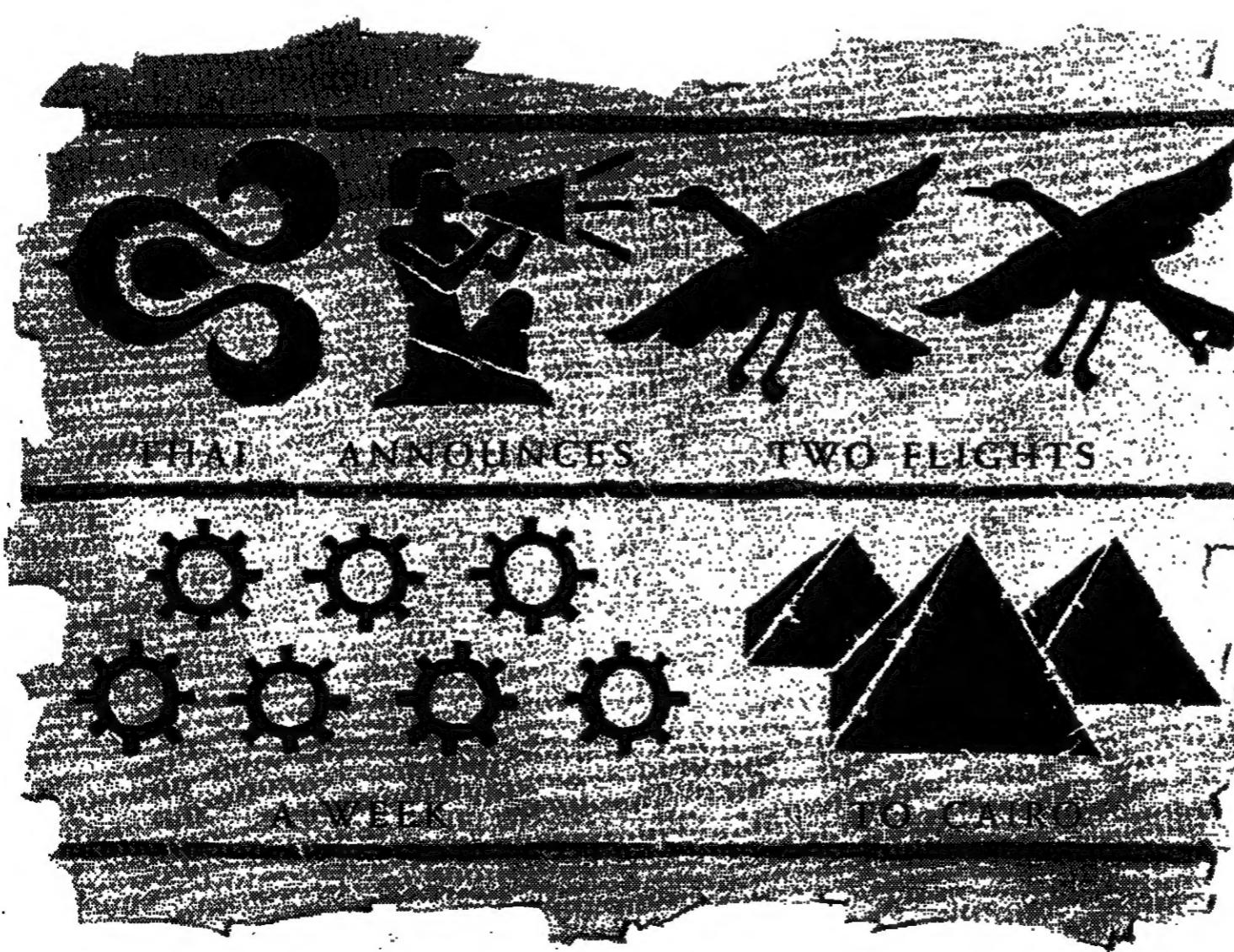
NYSE Most Active

AMEX Diaries

| | This Wk | Last Wk |
|---------|---------|---------|
| Acad | 393 | 261 |
| Adv | 344 | 162 |
| Amex | 161 | 152 |
| Issues | 918 | 924 |
| Options | 95 | 92 |
| Over | 38 | 33 |

AMEX Sales

| | Sales Vol. |
|------------------|---------------|
| for week | \$1,870,000 |
| 200 | 33,120,000 |
| 2000 | 37,800,000 |
| to date | 1,082,200,000 |
| AMERICAN BONDS = | 1,223,130,000 |
| for week | 16,400,000 |
| 200 | 10,710,000 |



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John Updike: Cosmic Thoughts and Rabbit Sequels

By Mervyn Rothstein
New York Times Service

NEW YORK — John Updike is feeling a little funny sitting at what used to be Alfred A. Knopf's desk in what remains of the late publisher's office — a once large room that has been turned into a number of much smaller ones. "It was a funny sensation," Updike says. "A little like Proust. I was brought down this set of corridors which I know fairly well. I step in here and it isn't Alfred's office. But the desk is here. The desk has survived."

Updike is reminded of a poem, "The Furniture," in his recent collection, "Facing Nature." The poem begins "To things we are ghosts."

"I went to see an exhibit of photographs at the Fine Arts Museum in Boston," he says. "Given the choice of going for a wall of photographs or a wall of paintings — and I love paintings — I will go right for the photographs. The fact that there once was just this somewhere — old photographs, especially scenes of New York, old trolley cars, straw hats. There's this abyss of time that is behind us and under us."

"One of the photos showed an Egyptian monument that I've seen that hasn't changed a lot in 3,000 years. The sand has gone up and down a little but this thing has lasted and lasted and lasted. And against it in the picture somebody had moved and made a little blur, this camel driver, or whatever he was. And we are sort of like that, we are blurs on the face of things" — "his life a blur," Updike wrote in the poem, "a dark smear on the unchanging stone" — "and even things of great intrinsic merit, like that chair in the corner of this room, have a very good chance of outlasting you and me. It doesn't seem right, does it?"

"In my mother's attic in Pennsylvania," he says, "are comic books I collected in the '40s. Walt Disney comic books. I was an only child, and I was a cherished child of parents who didn't move much, and I have the advantage of having many of my childhood things still there. Toys I played with are still there — a little fuzzy in the photo dog that used to turn on the table in a way I can remember. It's in a bushel basket, and when you wind it up it still runs. Isn't that marvelous that this is a virtually archaeological thing out of the deep loam of my remote past, and yet it doesn't think much time has passed at all. There's a little rust, but it still runs. Objects to me seem kind of enduring, so impressively permanent. Books. Look at the way books last. They may get a little yellow, but they're still there."

Updike is much better known for his fiction, but he has published a number of volumes of poetry. In New York for the day after reading his poetry the previous evening at a university, he seems to have cosmic thoughts on his mind. "One of the things that is there for fiction writers or writers of any sort to do is to try to incorporate into our imagery and vision of the truth what science has been telling us for the past 100 years," he says.



Updike's version.

city in New Jersey, he seems to have cosmic thoughts on his mind. "One of the things that is there for fiction writers or writers of any sort to do is to try to incorporate into our imagery and vision of the truth what science has been telling us for the past 100 years," he says.

"After all, a whole alternative view that was unavailable to the humanists of the Renaissance has built up. There's all this weird information about the world we live in, both at the biological and atomic level, and most novelists, and poets, ignore it. They don't know it, they don't want to know it."

Updike's new novel, which will come out next summer, is an attempt to bring some of the science into fiction, he says.

The title of it is "Roger's Version." It's a mouthful, but it's the best title we can think of. It's a cousin in a sense to my 'A Month of Sundays,' which was Dimesdale's version of 'The Scarlet Letter' told in modern dress. This is Roger's version. Roger Chillingworth, Hester Prynne's husband, is of an instance of adultery. In my novel, Roger Lambert is a divinity school professor, and he's approached by a young man from the science end of the university who has a lot of scientific facts about how unlikely our present universe is given the kinds of universes we might have."

There is a so-called anthropic principle now, that the universe had to be the way it is for intelligent life to emerge. The weak anthropic principle, as I understand it, merely says that since we're here observing it, this universe had to be such and so;

there's no miracle implied, no divine hand necessary, but a great deal about the universe can be deduced from the fact that intelligent life has had the time to evolve. The strong principle would be that God made this world just this way so we could survive in it. Anyway, this scientist is also a Jesus freak. He enjoys the divinity professor so much and fascinates him on the other hand, and they have a number of long discussions full of science and statistics that may not be a lot of readers. The challenge to me was to work up enough computer knowledge to give the young man some kind of credibility. He wants to use the computer to prove God's existence."

His fiction, Updike says, contains his darker side — a side he does not think comes through in his poetry. "My sense of futility and of doom and of darkness is one thing — that is, of death being behind everything in life, a sort of black backdrop, and if you look the right way you can see death right through the ribs, as it were," he says.

"But beyond the death, there's the viciousness, my father was among the gentlest of men, and he was always talking about how it's a dog-eat-dog world, and it's kill or be killed. He was born in 1900, and so a lot of the so-called welfare state wasn't in place for him. He really did see the possibility of dropping out of the economy entirely and becoming a bum, starving. We lived not far from the poorhouse, and it was very much in our mind."

"Updike, 53, has lived in Massachusetts since 1957. He has been a successful writer for more than 30 years, and says he still finds fresh challenges, as well as fresh problems.

"I had both the happiness and possible misfortune of very early getting into print," he says. "And having been a writer now since my early 20s, there is a danger of getting written out and even becoming stale. There is some advantage to doing like Conrad — having a lot of life and then sitting down at 40 to write. You certainly won't run out of material that way, because life isn't long enough to write it all out."

Writing fiction, he says, is "a little like handwriting. It comes out to be you no matter what you do. That is, it's recognizable Updike. But you have to feel that you're going off in a fresh direction. You have to be in some way excited, and in a way frightened — can you do this? Without that you can do it? feeling, you can't do it. You're going to produce something that you've already done."

"It doesn't get easier, this setting out again. You use up those first 20 years of your life one way or another, and the material you collect in adulthood doesn't have that. It's not that magical. You have to give it magic. You have to substitute wisdom and experience for passion and innocence."

roughly every 10 years — "Rabbit, Run," "Rabbit Redux" and the Pulitzer Prize-winning "Rabbit Is Rich." And he says he is planning to bring Rabbit back again.

"I have contracted with myself to write at least one more book about Rabbit Angstrom," he says. "I was going to finish it up, but maybe there's something kind of opened about him. You can't finish him up. I feel at home writing those books. Returning to it every 10 years, when the decade winds down, I found it's still a comfortable thing. The books are not loved by everybody and may be deeply flawed, and there may be limits to my empathy with a man like this, but the Pennsylvania setting helps make me feel like I'm full of material in some odd way."

"I haven't lived in Pennsylvania in many years and when I did live there as a youth there was a lot I didn't know about what was going on around me," he says. "I was a schoolteacher's son and had a fairly limited view of the world. But in all of our childhoods we are open to experience in a way we cease to be. The older we get the more we can control our environment, and also I think the less vulnerable we become to it, whereas a kid is pretty open to whatever shocks and thrills the environment provides. So all of us writers, whether it's Roth's Newark or Bellow's Chicago, or whatever, it's where you somehow feel warmth and seem to have the most to say."

Updike, 53, has lived in Massachusetts since 1957. He has been a successful writer for more than 30 years, and says he still finds fresh challenges, as well as fresh problems.

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LANGUAGE

Go Easy on the 'Fingerspitzengefühl'

By William Safire

WASHINGTON — You cannot write about world affairs without a *Weltanschauung*; you cannot practice literary criticism without an understanding of *Zeigeist*; you cannot nibble your nails properly without *Angst*, and you cannot report on turmoil anywhere without *Sturm und Drang*.

Let us suppose you already have a world view (*Weltanschauung*), dig the spirit of the age (*Zeigeist*), are suffering anguish to the point of depression (*Angst*), and can thus clearly observe the storm and stress of a thundering confusion (*Sturm und Drang*). What is it that you need?

You need *Zugzwang*.

I used this word in a column about the recent world-championship chess match, defining it as "forced to move but doomed by moving." Then a reader wrote to say "Fresia doesn't seem to understand the concept of Zugzwang."

For guidance in chess (and, *en passant*, the words used in its play), I am a pawn in the hand of Arthur Bisguier, grand master and technical adviser to Chess Life magazine. Bisguier turned to him: Have I embarrassed myself with my *Zugzwang* gamut?

"You have used a word," replied the grandmaster, "for a position in which each player would obtain a worse result if it were his turn to move than if it were not. It occurs only in end-game situations or in composed problems. It might be a whoever-moves-loses situation. Briefly stated, the onus of moving causes a worse result than would otherwise occur."

How might *Zugzwang* call might real life?

"When standing in a traffic island, with cars going in both directions, one is most assuredly in *Zugzwang*."

I was right. The slogan of people in Zugzwang is "Don't just do something, stand there." The noun *Zugzwang* cannot be translated into a single English word; in this characteristic, it is similar to *Gedächtniskraft* (which means more than "camaraderie") and *Schadenfreude* (the guilty pleasurable thrill some people get when a friend is in trouble).

Pop a little dumpling of a German word into your language soup for flavor or even for affection's sake. But choose with care; for this sort of thing, you have to have what Hildegarde Merrill Mahoney, rubbing the sensitive tip of her thumb against her other fingertips, calls *Fingerspitzengefühl*.

THERE sat Ronald Reagan and Mikhail Gorbachev in front of the fireplace, alone except for interpreters. "The summit's greatest surprise," wrote a Sunday Observer team, "was the five hours two leaders spent tête-à-tête (or, as the Americans insist on calling it, 'one on one')."

Americans insist on calling it that because *one on one* is a phrase denoting competitive intimacy. *Tête-à-tête*, or *head-to-head*, in its English translation, connotes closeness without tension; you have a little *à-deux* talk at some secluded rendezvous when you want to confide in. In the same way, the Geneva phrase *unter vier Augen*, "under four eyes" (that's two persons' eyes, not one guy with glasses), implies conspiracy or at least complicity. *One on one*, however, means "matched for competition," closer to

one against another than one with another. The position in this case conveys the meaning of "cover" as one player "covers" the moves of an opposing player, which is more accurate than *one to one*, or *one facing one*.

I hyphenate the phrase when using it as an adjective, as in a *one-on-one meeting*, but resist hyphenation when using it adverbially, as in *they met one on one*.

You think it's from football, don't you, as the opposite of *zone defense*? "Wrong" cry basketball fans, who were using it years before Hail! Both are mistaken: The first use cited in the Oxford English Dictionary Supplement is from the Feb. 20, 1967, issue of "Technology Week," describing, of all things, defenses against missiles long before "Star Wars": "in the one-on-one, relatively simple intercepts run during the 1962-63 test series, the 'old Nike-Zen' scored on 10 of 14 attempted live ICBM intercepts." Not until the early 1970s did *one on one* become sport-lingo. (This certitude would be shattered if some researcher, going one-on-one with the world of lexicography, came up with an earlier printed or recorded usage in a sports context.)

"**T**HE long 'one on one' talks," wrote Richard Beeston in The Telegraph, another British newspaper that revels in discovering Americanisms, "must have been agonizing for such Paganon hawks as Mr. Weinberger's deputy, Richard Perle, whose nightmare is that Mr. Reagan, if left on his own, might 'give away the store.'"

To *give away the store* was indeed the cliché most used by hard-liners at Geneva. I recall Richard M. Nixon's using the phrase "to give up the store" frequently during his administration. The earliest use I can find in my computer's database is this quotation of a TRW official in Business Week, May 31, 1976, in a corporate but not exclusively retailing context: "We want controlled expansion only — we won't give away the store to build volume." I suspect a much earlier retailing use based on the overuse of "loss leaders." The phrase appears in this metaphoric form as Representative Samuel S. Stratton of New York, a hawk, rose on the floor of the House on Feb. 2, 1977, to wonder if Paul C. Warnke, the Carter administration's arms negotiator, "would be likely to give away the store in a mistaken mood of guilt and good will."

At the Geneva meeting of the superpower leaders, Robert C. McFarlane, then still the national security adviser — who used *form* as the plural of *forum*, which is not incorrect but is not preferred even by those of us who use the classical plural of *memorandum* and *referendum* — suddenly shifted to colorful slang in describing a struggle: "They'll just have to duke it out."

To *duke it out* is, I think, a modern marriage of put up your dukes with *fight it out*. One version of the origin of *duke* meaning "hand," or specifically "fist," is in Cockney rhyming slang: *fingers* were referred to as "forks" and the slang rhyme to conceal the word was *Duke of York*; hence, the hands became *dukes*.

Thus, as the British press was picking up on the Americanisms *one on one* and *give away the store*, the president's adviser was piercing the summit air with the latest twist on Cockney rhyming slang.

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